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Government  
Publications

PROFILE OF THE BOOK  
PUBLISHING INDUSTRY IN CANADA

CPER MANAGEMENT CONSULTING INC.  
OTTAWA

March, 1983





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## BOOK PUBLISHING PROFILE

### EXECUTIVE SUMMARY

#### Purpose of the Project

- prepare an updated profile of the book publishing industry in Canada, highlighting its industrial, financial and cultural achievements;
- identify current issues of concern to the industry;
- suggest important research topics that could be examined by DOC as part of its policy review.

#### Two Important Factors

- (i) The major data source used in preparing this profile was the Statistics Canada (STC) survey of publishers and agents conducted in 1980. However, a variety of other sources was used also. This led to problems with lack of common definitions and assumptions. The findings presented below are intended to be indicative only. More detailed research should be carried out on key topics before major policy decisions are made.
- (ii) These findings are based on 1980 data. The current economic conditions may have had an important impact on this unique industry sector.

#### Findings

- 1) The Companies Operating in Canada (See Section 2)

- Of the 186 responding publishing companies, 84% were Canadian-controlled and 16% were foreign-controlled (see Table 4). These percentages are unchanged from the 1979 STC survey results.





2) Size of The Book Market in Canada (See Section 3)

- . The value of domestic sales plus exports of publishers, agents and others reached one billion dollars in 1980. The estimate for 1979 was \$914 million, in 1979 dollars.
- . The value of domestic book sales in Canada in 1980 was estimated to be \$898 millions. However, 71% of these domestic book sales were accounted for by imports i.e. imports by publishers, agents and others. This is a slight decline from the 75% figure of 1979, and the 73% of 1978.
- . Canadian-controlled publishers and agents accounted for less than 25% of this domestic market of \$898 millions.
- . Fully 41% of the 1980 domestic market (\$367 millions) by-passed Canadian publishers and agents completely, consisting of imports by others.

3) Market Shares (See Section 4)

English Language firms

- . English-language publishing firms and agents accounted for 83% of the domestic sales reported by publishers and agents. Canadian-controlled English language publishers are only gradually increasing their share of this market, growing to 35% in 1980 from 29% in 1977.
- . U.S. firms accounted for over 80% of the sales achieved by foreign-owned firms.
- . Canadian-controlled publishing firms accounted for 96% of the 1980 reported export sales. However, one Canadian company accounted for close to 90% of the Canadian-controlled export sales. These sales were in 12 different languages.





- . The English-language textbook market is heavily dominated by U.S. firms (66% of sales) followed by Canadian-controlled companies (28%).
- . The tradebook market is dominated by Canadian-controlled companies (70%), followed by the U.S. (24%). However, one Canadian company alone accounts for close to 50% of the reported English-language sales.

#### French-Language Firms

- . Net sales reported in 1980 by responding French language publishers totalled \$56 million; 83% of these sales were reported by Canadian-controlled companies.
- . The evidence is that Canadian-controlled firms have a very dominant position in terms of the French-language publishing markets. However, some publishers dispute this point and assert that this is just a reflection of the weak criteria used to define "Canadian control".
- . The tradebook market is the largest French-language commercial category (38% of reported net sales). Canadian-controlled firms dominate this market, capturing 85% of it.
- . The second largest commercial category market is textbooks (37% of net sales). Canadian-controlled companies had 70% of this market. U.S.-controlled firms were second with 12%.



4) Financial Health of the Industry (See Section 5)

- . The DOC policy objective for the book publishing industry is one of ensuring the financial health of the Canadian-controlled part of the industry so that this segment of the industry can contribute to the development of Canadian authors and their works.
- . Representatives of both the French and English language sectors assert that many of the Canadian-controlled companies are losing money continually, and that it is largely the Government funds which enable them to continue operations.
- . However, serious difficulties were encountered with the existing data on the financial status of the industry and its sub-sectors, and no firm conclusions could be reached that would serve as a basis for DOC policy decisions.
- . More detailed issue-specific data on the financial workings and health of this peculiar industry is an urgent requirement of DOC. The industry should share in the responsibility for improving the data available for policy research.

5. Who is Publishing, Profitably, Canadian-Authored Titles? (See Section 6)

- . Representatives of both the French and English language sectors of the industry are of the view that it is the Canadian-controlled sector of the industry that publishes the large majority of CAT's. However, we have not found any evidence to demonstrate this and the question should be resolved by DOC officials.





- . A key question for DOC is whether or not it is profitable for the industry to publish Canadian-authored titles (CAT's). If it were shown clearly to be unprofitable across the industry to publish CAT's, then the industrial and cultural goals of the DOC could be in conflict. It would be difficult to establish the industry on a profitable, self-sustaining footing if the DOC incentives were for the industry to expand its non-profitable operations.
- . Unfortunately, existing data do not provide evidence to answer this question. This is an important area for future research.

6) Current Issues and Research Topics for DOC Policy Analysis (see Sections 7 and 8)

- . A total of 16 issues has been identified for the two language book markets and the text and trade book markets. The issues range over strategies to penetrate new markets, to the structure of the industry, to possible conflicts between the DOC industrial and cultural goals.
- . Two sets of possible policy research topics are held out for DOC officials. The first deals with topics of interest to publishers; the second with topics of fundamental import to a DOC policy review of its approach to the industry.
- . It is recommended that further DOC-sponsored research into this industry be issue-specific, and be designed to explore in detail the workings of this unique sector. It may well be that further research, to be useful, would have to examine individual representative firms in the industry.









## 1. INTRODUCTION

### 1.1 Background and Purpose

#### **Background**

The Federal government Book Publishing Policy, issued in 1978, consists of objectives for both writers and the publishing and distribution industry. The objectives of this policy are:

#### **For Writers and Authors**

- creation of a national literature;
- development of national and international writers;
- development of new talent;
- stimulation of publications of quality;
- promotion of Canadian writers in Canada and abroad; and
- promotion of knowledge and appreciation of works by Canadian authors.

#### **For the Book Publishing and Distribution Industry:**

- firmly established, acting independently (of government);
- profitable;
- conscious of its role in creating a national literature;
- publishing and distributing the widest possible variety of Canadian books in Canada and abroad; and,
- in which the Canadian-controlled sector occupies the dominant position.

(Source: evaluation framework for the Book Publishing Development Program, and 1977- 78 Cabinet memorandum).

When this policy was formulated, there existed a great deal of uncertainty regarding the state of the Canadian-owned sector of book publishing in Canada. However, due to the belief that book publishing in Canada was dominated by foreign-controlled firms and authors and



that Canadian-owned firms were in severe financial difficulties a Federal program in support of book publishing was created, i.e., the Canadian Book Publishing Development Program (BPDP).

The Book Publishing Development Program is one which follows the "cultural industries" philosophy to cultural development. The cultural industries approach is one based on the hypothesis that the development of Canadian cultural products is more likely to be undertaken by Canadian-controlled than foreign-controlled firms. A vigorous testing of this hypothesis is being planned as part of an evaluation of the BPDP to be conducted in 1984. The BPDP evaluation is also expected to result in the specification of effective measures to resolve issues remaining concerning book publishing in Canada.

A first step in this evaluation will be the preparation of a comprehensive issue-based profile of the book publishing industry. This project was intended to begin the process of developing such a comprehensive profile.

### **Purpose**

The purpose of this project is to provide an update of the book publishing industry profile produced by DOC in 1980. This updated profile will be used by the Cultural Industries Directorate (CID) of the Department of Communications (DOC) in its ongoing review of the industry and as a basis for the comprehensive issue-based profile that will be required to support the BPDP evaluation.

This updated profile of the industry is primarily restricted to updating of statistical measures used in the 1980 study and developing specifications of research plans for examining issues on book publishing in order to contribute to federal strategy-setting for book publishing in Canada.





## 1.2 Outputs of this Report

The following are the deliverables of this study as specified in the contract between CPER and the DOC:

- i) Updating of a statistical profile of book publishing which was prepared in 1980 by the Bureau of Management Consulting (BMC). The BMC profile was based on statistics from the Statistics Canada's 1976 Survey of Publishers, but also drew on results of earlier surveys and other sources;
- ii) Identification of issues regarding book publishing in Canada, both cultural and industrial, which could be considered for inclusion in a Cultural Industries strategy paper; and,
- iii) Preparation of alternative research plans for sets of identified issues.

## 1.3 Approach and Method

The emphasis of this report is on output (i) above, updating of the statistical profile prepared in 1980 for the 1976 survey year. Our second major emphasis was the identification, through discussions with both government officials and industry representatives, of issues of concern regarding book publishing in Canada. The issues presented are those which are relevant to the objectives of the federal policy for book publishing. The final output, development of alternative research plans for DOC, resulted from our analysis of the data collected, the limitations of existing data bases and the issues identified.

We conducted the following tasks in the preparation of this report:

- i) Specification of data to be tabulated by Statistics Canada, based upon the tables required to up-date the profile developed in 1980. These tabulations were aimed at providing statistics on the following to address the federal objectives for book publishing:



- The industry structure itself;
  - The markets for Canadian books;
  - The market shares achieved by various sub-sectors of the industry;
  - The relative profitability and financial performance of firms in Canada, both Canadian and foreign-controlled; and,
  - The contributions to the development of Canadian-authored books, both new and reprinted, by various sectors of the industry.
- ii) Review of studies and position papers on book publishing in Canada.
- iii) Development of interview guide and conduct of interviews with government and industry representatives on issues regarding book publishing in Canada. A limited number of interviews was conducted due to the time and budget constraints on the project, and the fact that the majority of our work was to concentrate on updating the statistical profile. Because of the distribution of publishers in Canada, the majority of our interviews were conducted in Ontario and Quebec although we did interview publishers from British Columbia, Alberta, Newfoundland and Saskatchewan.

On the basis of the data collected from STC, the limitations of those data (see Annex B) and the interviews we conducted, we then prepared a description of possible issues for research which DOC officials could pursue prior to developing a proposed federal strategy for book publishing.





### 1.3.1 The Data Used in this Project

Five data sources were used in preparing this profile:

- . the STC results of the 1980 survey of publishers and agents;
- . the profile of the industry prepared by DOC in 1980 and based mainly on the 1976 survey results, but drawing on other sources also;
- . two STC analyses of the industry:
  - (i) Book Publishing - An Industry Analysis (1979); (Catalogue 87-601)
  - (ii) Book Publishing - A Financial Analysis (1975-1977); and
- . individual company financial reports, when available.

Merging of these diverse data sources into one profile of the industry has uncovered problems caused by differing definitions and assumptions. We have attempted to reconcile differences whenever possible, but the data presented in this report must be taken as indicative only. Further, more detailed research is required before a definitive picture of the industry will be available to guide DOC policy decisions.

It is important that the strengths and weaknesses of the primary source of many of these studies, the STC surveys of publishers and agents, be appreciated. We have attached at Annex B a discussion of the history and caveats that must be considered when using these data.

To provide a historical perspective on the publishing industry we have, whenever possible, compared the 1980 survey results with the results of earlier surveys cited in the above studies.

The "Harlequin" publishing company occupies a unique position in the Canadian-controlled industry. With sales of over \$100 millions in 1980, it clearly dominates the industry and skews the industry's statistics. Officers of Harlequin have agreed to permit some of the most important features of their operation to be presented separately in this report. Their co-operation is gratefully acknowledged.



#### 1.4 FORMAT OF THIS REPORT

The remainder of this report consists of 7 parts. Part Two presents an overview of the structure of the book publishing industry in Canada, i.e., the total number of firms, the activities they carry out, their country of controlling interest, size according to sales volume and provincial distribution. Part Three describes, using STC data, the French and English language markets for book publishers in Canada. Part Four assesses shares of the different book markets achieved by various sectors of the industry. Part Five presents statistics on the relative financial positions and performance of publishers. Part Six focuses on the products of publishing firms in Canada and examines the question of who is publishing, and profitability so, new titles, new Canadian titles and Canadian titles as a whole. Part Seven presents issues regarding book publishing in Canada and Part eight consists of optional research that could be implemented by DOC in the policy work for the Federal strategy paper.

All tables are presented at Annex C except for the preliminary tables resulting from the financial analysis of the industry which are bound separately as Annex E.





## 2. THE COMPANIES OPERATING IN CANADA

Of the 229 responding firms, 186 (81%) reported to be either publishers or publishers and exclusive agents. The remaining 43 (19%) were exclusive agents only (see Table 2).

### 2.1 Publishers

#### 2.1.1 Activities

The minority of the publishers (39%) were involved in both the publishing and exclusive agent activities; the majority ( 61%) were active in publishing only. These percentages are unchanged from the 1979 STC survey results.

#### 2.1.2 Country of Financial Control

The Statistics Canada definition of control is the ability or potential ability of an individual, group of individuals or another company to determine the financial and operating policies of a company in which they own shares of voting stock. Country of control is based upon the residency and resident status of the individual, group or company with the above ability.

Of the 186 responding publishing companies, 156 (84%) were Canadian-controlled and 30 (16%) were foreign-controlled (see Table 4). These percentages are unchanged from the 1979 survey results.

A detailed comparison of the differences in performance of the Canadian and foreign-controlled sectors is contained in Sections 4, 5 and 6.



### 2.1.3 Size of Publishing Companies

The foreign-controlled firms continue to dwarf the Canadian-controlled firms, as measured by net sales per company, with the Canadian-controlled sector continuing to exhibit wide variation in size.

The following text table summarizes Table 4.

Text Table No. 1: Size of Publishing Companies

| <u>Total Net Sales Range</u><br><u>(\$ millions)</u> | <u>No. of</u><br><u>Canadian</u><br><u>Publishers</u> | <u>No. of</u><br><u>Foreign-controlled</u><br><u>Publishers</u> |
|--|---|---|
| (0 - .49)  | 107   | 0   |
| (.5 - 4.9)   | 40  | 14  |
| (5 - 9.9)  | 5   | 9   |
| ( > 10)  | <u>4</u>  | <u>7</u>  |
| Totals   | <u>156</u>  | <u>30</u>   |

Note the following points:

- 107 (69%) of responding Canadian publishers reported net sales of less than \$500,000; all foreign-controlled publishers exceed this sales figure;
- 4 (2.5%) of the Canadian publishers reported net sales of greater than \$10 millions; 7(23%) of the foreign-controlled firms exceeded this sales figure;
- The BMC report on 1976-77 data showed similar results i.e. the foreign-owned sector being characterized by a much smaller number of significantly larger companies. However, a detailed comparison between the two sets of results would require further research; different ranges





were used for net sales, and thus it becomes difficult to compare the results on the basis of constant dollars.

#### 2.1.4 Language of the Publisher

The "language" of the publisher is determined by the language of the books which generated the greatest revenue. Thus, some French-language publishers do in fact publish English-language books and vice-versa.

For 1980, 130 (70%) of the responding firms were classified as being English-language; 55 (30%) were French-language; and one respondent ( 1%) was "an other language" publisher (see Table 2).

The corresponding figures for 1979 were: English (145-73%), French (55-27%), Other ( 1%). Thus, no significant change is evident. (Source: STC publications).

#### 2.1.5 Location by Province

Book publishers in Canada are still geographically concentrated in Ontario. In 1980, 97 firms (52%) were located in Ontario. An additional 58 (31%) were located in Quebec. Thus of the total 186 reporting publishers, 155 (83%) were located in either Ontario or Quebec. (See Table 1)

These percentages are unchanged from 1979. British Columbia ranks third in the number of publishers as it did in 1979.

### 2.2 Exclusive Agents

#### 2.2.1 Country of Financial Control

Of the 43 responding exclusive agents, 26 (60%) were Canadian-controlled with the remaining 17 (40%) being foreign-owned



(Table 5B). These percentages are unchanged from 1979. It will be seen in Parts 4 and 5 below that the performance of these two sectors differed considerably, with the smaller number of foreign-controlled exclusive agents achieving twice the net sales of the larger number of Canadian-controlled exclusive agents.

#### 2.2.2 Size of Agents

The following facts can be seen from Table 5B:

- 2/3 of the Canadian-controlled exclusive agents have net sales below \$1 millions;
- 2/3 of the foreign-controlled exclusive agents have net sales above \$1 millions.

The differing performance of the Canadian and foreign-controlled exclusive agents are discussed later in this report.

#### 2.2.3 Language of Agents

Twenty-seven of the 43 (63%) exclusive agents surveyed were classified as English, 15 (35%) were classified as French, and one agent (3%) was classified as "other" language (Table 2). These percentages are unchanged from 1979.

#### 2.2.4 Location by Province

All 43 exclusive agents are located in Ontario or Quebec (Table 1).



### 3. SIZE OF THE BOOK MARKET IN CANADA

#### 3.1 Estimating the Market

The measure "net book sales" is used to determine the size of the book market in Canada.

Net book sales is defined by Statistics Canada as the gross value of book sales minus the value of the books returned. Only book sales are counted; revenues from other activities which the firms might undertake are not included.

The book market can be broken into three components: domestic sales (imports and own sales) by publishers and agents; exports by publishers and agents; and imports by others. Details of the methods used to estimate these three components are contained in the STC publication 87-601 "Book Publishing - An Industry Analysis (1979)". We repeat here only the key factors used in this report.

- The value of book imports are obtained from the STC catalogue "Imports by Commodities" (65-007). This value is then marked up by 75% to be consistent with what publishers apply as the mark up at the first point of delivery.
- The reported sales of publishers and exclusive agents are adjusted upwards by factors to allow for non-response and the fact that the STC survey, by design, does not cover all publishers. Where appropriate, in this report we use the same factors developed by STC and reported on in their 1979 profile of the industry (see Tables 1 and 2 of STC catalogue 87-601). We use the word "adjusted" to indicate that these factors have been applied to the 1980 reported sales.





### 3.2 The Market

The market is estimated to have now equalled the one billion dollar mark, as demonstrated by the following text table. All figures are in 1980 dollars and are in millions unless otherwise noted. The estimates of total market in 1979 and 1978 are provided in brackets, and are in current dollars. The 1980 estimates are obtained from Tables 5 and 5A.

Text Table No 2: The Book Market in 1980

|  |                 |                                  |                  |
|--|-----------------|----------------------------------|------------------|
| Total Market = \$ 1.0 billions (\$914,\$758)       |                 |                                  |                  |
|  |                 |                                  |                  |
| Adjusted Domestic Sales of Publishers and Agents = | \$531 (480,435) | Adjusted Exports by Publishers = | \$105 (97,73)    |
|  |                 | Imports by Others =              | \$367* (337,250) |

However, 71% of domestic book sales in Canada in 1980 were accounted for by imports i.e. imports by publishers, agents and others. This is a slight decline from the 75% figure of 1979, and the 73% of 1978. The following text table is based on information obtained from recent studies by officials of STC. Comparable figures for 1979 and 1978 are in brackets in current dollars.

Text Table No. 3: Imports Into the Domestic Market in 1980

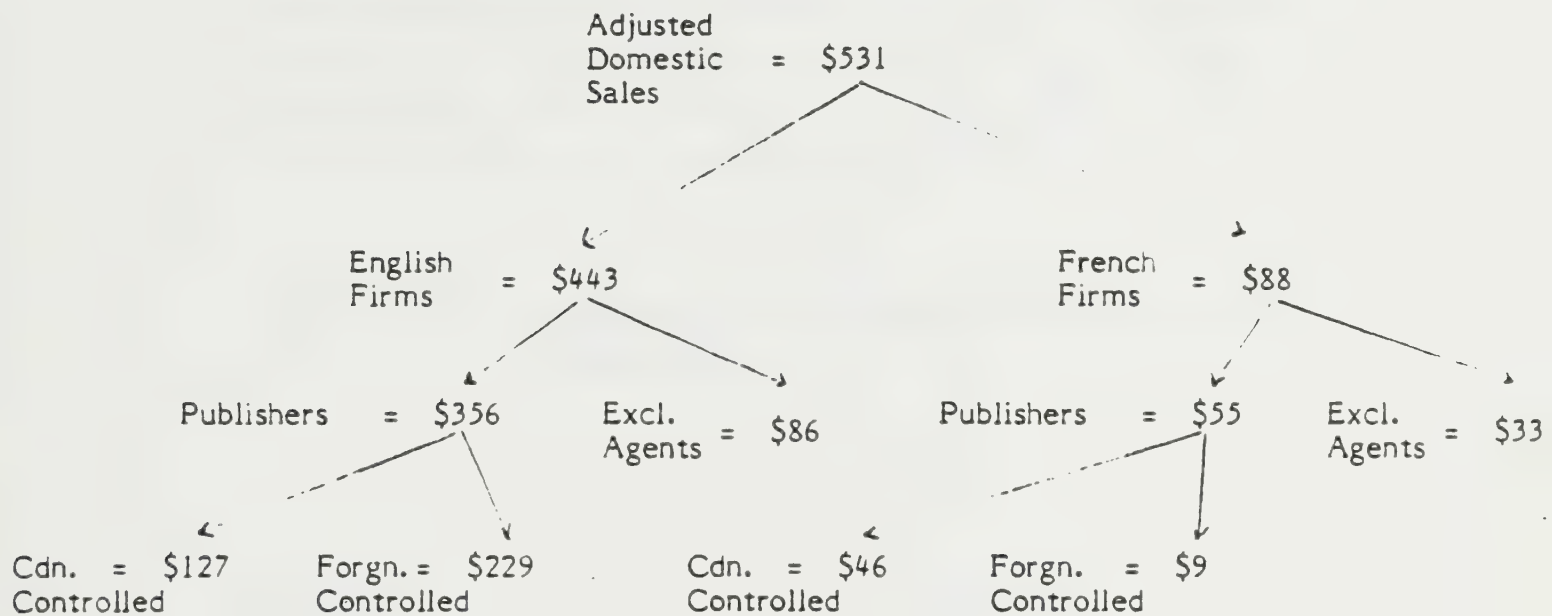
|  |                       |           |                       |
|--|-----------------------|-----------|-----------------------|
| Adjusted Domestic Market = \$ 898 million (\$817, \$685) |                       |           |                       |
|  |                       |           |                       |
| Own Books Sales =  | \$257m (\$208, \$189) | Imports = | \$641m (\$608, \$497) |

(\*) Some of these imports may in fact have been re-exported. However, previous STC work indicates that such re-exporting is not significant.



The following text table examines the domestic book market of publishers and agents in more detail.

Text Table No. 4: 1980 Adjusted Domestic Book Market for Publishers and Exclusive Agents (in 1980 \$ millions)







### 3.3 Net Sales of English Language Publishers and Agents

We examine here briefly some of the major features of the sales reported by English-language publishers and agents. Recall that the reported net sales of English-language publishers and agents is not an exact measure of the market for English-language books because some English-language publishers do publish in French and vice-versa (see the caveat in 2.1.4.). The following text table summarizes the adjusted survey results of Tables 5 and 5A and provides a comparison with the 1979 survey results which are presented in 1979 dollars.

Text Table No. 5: Adjusted Net Sales (Domestic & Export) of English-Language Firms

(in \$ millions)

|      | <u>Publishers</u> | <u>Agents</u> | <u>Total</u> |          |
|------|-------------------|---------------|--------------|----------|
| 1980 | \$ 460.           | \$86.3        | \$546.3      | (1980\$) |
| 1979 | \$425.4           | \$73.2        | \$498.6      | (1979\$) |

#### 3.3.1 Text and Trade Book Sales by Publishers

Statistics Canada defines "trade books" as commercial books created for the general consumer and includes novels, poetry, biographies, picture books etc." (STC catalogue no. 87-601).

The text book and trade book markets are quite different. In particular, Canadian-controlled publishers have long argued that text book publishing is more lucrative, but more difficult to enter, than trade book publishing.



The following text table summarizes Table 7.

Text Table No. 6: Reported Net Sales (Export & Domestic)  
of English-Language Publishers

(in \$ millions)

|                     | <u>Text</u>   | <u>Trade</u>  |                |
|---------------------|---------------|---------------|----------------|
| Canadian-controlled | \$33.7        | \$160.5       |                |
| Foreign-controlled  | <u>\$88.4</u> | <u>\$69.9</u> |                |
| TOTAL               | \$122.1       | \$230.4       | <u>\$352.5</u> |

Note the following points:

- The text and trade markets together account for 77% of the net domestic and export sales reported by publishers. An examination of previous STC studies shows that this situation has changed little since 1977.
- Trade book sales of publishers are almost double the sales of text books, again unchanged over the 1979 results. This fact must be interpreted carefully however. One very large Canadian-controlled company accounts for almost 1/2 of the total trade book sales, in the specialized area of romance fiction and covering 12 languages. If this company is excluded, the reported text and trade markets are approximately equal in size (see Section 4.2).
- The text book market is dominated strongly by U.S. controlled firms, both overall (66%) and in each category of text books.
- The Elementary - High School (ELHI) category of text book market is the largest, accounting for 64% of text book sales. U.S.-controlled firms captured 65% of the ELHI market.



- Although the above analysis of the text-trade split is based on reported sales of publishers only it is unlikely to change when the sales of exclusive agents are included. The 1979 survey results showed 71% of the sales of exclusive agents being to the trade and reference book markets.

### 3.3.2 Customer Category for Publishers' Sales

The purpose in presenting the data according to customer category is to provide a picture of the largest customers of English-language publishers.

Note the following highlights from the survey results in Table 8.

- The publishers' customer category with the largest reported net sales is the (ELHI & post-secondary) category, accounting for 31% of the total net domestic sales reported. The ELHI sub-category is more than twice the size of the post-secondary category. This situation also prevailed in 1979.
- The next two categories, approximately equal in size, are: bookstore sales (Quebec accredited book stores, campus bookstores and other retail stores) and sales direct to the general public (e.g. sales of encyclopedias or direct mail campaigns conducted by the publisher). Each category accounts for approximately 22% of total net domestic reported sales. Again, these facts are unchanged over 1979.
- Total sales of English language publishers to libraries (government, special and public libraries) accounted for only 6% of reported domestic sales, a percentage unchanged over 1979.





- Net sales to exclusive agents, mass paperback wholesalers and other wholesalers were reported as \$28.8 million, or 8%;
- Net reported sales to book clubs were \$6.0 million (1.7%) and sales to mail order houses were reported as \$1.5 million (1%);

### 3.4 Net Sales of French-Language Publishers and Agents

The following text table summarizes the adjusted survey results of Tables 5 and 5A and provides a comparison with the 1979 survey results which are presented in 1979 dollars.

Text Table No. 7    Adjusted Net Sales (Domestic & Export  
of French Language Firms

|      | (in \$ millions)  |               |              |          |
|------|-------------------|---------------|--------------|----------|
|      | <u>Publishers</u> | <u>Agents</u> | <u>Total</u> |          |
| 1980 | \$ 56.6           | \$32.9        | 89.5         | (1980\$) |
| 1979 | \$ 48.8           | \$29.5        | \$ 78.3      | (1979\$) |

#### 3.4.1 Text and Trade Book Sales of Publishers

The following text table summarizes the results of Table 9 on the text and trade sales reported by French-language publishers.

Text Table No. 8    Reported Net Sales (Export & Domestic  
of French-Language Publishers

|                     | (in \$ millions) |                       |
|---------------------|------------------|-----------------------|
|                     | <u>Text</u>      | <u>Trade</u>          |
| Canadian-controlled | \$14.5           | \$18.0                |
| Foreign-controlled  | <u>\$ 6.3</u>    | <u>\$ 3.1</u>         |
| TOTAL               | \$20.8           | \$21.1                |
|                     |                  | <u><u>\$ 41.9</u></u> |



Note the following highlights

- The reported text and trade markets of publishers are approximately equal in size in 1980 (\$21 millions). Text sales dominated trade in 1978 and 1979.
- Together, the text and trade book markets accounted for 75% of the reported domestic and export sales of French-language publishers, a percentage which is unchanged over the 1979 results.
- Canadian-controlled firms dominate both the text and trade book markets in terms of reported net sales by publishers and agents. However, a number of representatives of Canadian-controlled publishing firms dispute these results, questioning the criteria used in defining a firm as "Canadian-controlled" (see Section 7).

#### 3.4.2 Customer Category for Publishers' Sales

Only domestic sales of publishers are reported by customer category, leaving the \$1.03 m of export sales reported by French-language publishers unaccounted for. In addition, some 37% of domestic sales were unspecified as to commercial category. For 1979, fully 42% of sales reported by French-language publishers were not specified by customer category.

With these caveats in mind, the following highlights can be seen from Table 10.

- For the sales reported by customer category, the largest category is "retail stores" (accredited book stores, campus bookstores and other retail) which accounts for 32.4% of sales. In 1979, the figure was 28.4%.



- Reported sales to ELHI and post-secondary institutions accounted for only 5.5% of domestic sales reported by customer category. For 1979, the figure was 7.2%.
- Sales reported to libraries were less than 0.5% of total reported domestic sales. A similar result was reported for the 1979 survey.





## 4. MARKET SHARES

### 4.1 Introduction

The Federal policy for book publishing in Canada has, as one of its cultural objectives, the desire to increase the share of the book markets in Canada and abroad achieved by the Canadian-owned sector. In this part we summarize the statistics gathered on market shares achieved by Canadian-owned companies. Details of the survey results are contained in the Tables bound separately as Annex C.

### 4.2 Market Shares: Key Results

#### 4.2.1 English Language Publishing Firms

##### 4.2.1.1 General

- Foreign controlled publishing firms account for 65% of the domestic 1980 sales reported by english-language publishing firms (see Table 5). Canadian-controlled publishers are only gradually increasing their market share as demonstrated in the following text table.

Text Table No. 9    Reported Net Domestic Sales by Country of Controlling Interest and Language of the Publisher 1977-80 (current dollars in millions)

| <u>Country of Control</u> | <u>English Language Publishers</u> |       |                |         |                |       |                |       |
|---------------------------|------------------------------------|-------|----------------|---------|----------------|-------|----------------|-------|
|                           | <u>1977</u>                        |       | <u>1978</u>    |         | <u>1979</u>    |       | <u>1980</u>    |       |
| Canadian Controlled       | 69.6                               | (29%) | 91.4           | (31.5%) | 108.7          | (33%) | 125.9          | (35%) |
| Foreign-Controlled        | 170.1                              | (71%) | 198.2          | (68.4%) | 219.6          | (66%) | 226.5          | (65%) |
| Total                     | <u>\$239.7</u>                     |       | <u>\$289.6</u> |         | <u>\$328.3</u> |       | <u>\$352.4</u> |       |

Source: STC Catalogues for 1977-1979 No. 87-601



- Canadian-controlled publishing firms account for 96% of reported export sales. However, one Canadian company accounted for close to 90% of the Canadian-controlled export sales. These sales were of books in twelve different languages.
- For domestic and export sales, the foreign controlled firms' reported sales were only 3% higher than for Canadian-controlled firms. U.S. firms constituted over 80% of the sales achieved by foreign-owned firms (see Table 7).

#### 4.2.1.2 Commercial Category

- The textbook market is heavily dominated by U.S. firms (66% of sales) followed by Canadian-controlled companies (28%) (see Table 7).
- The tradebook market is dominated by Canadian-controlled companies (70%), followed by the U.S. (24%). Subtracting the Harlequin sales from the Canadian-controlled tradebook sales would leave the U.S. and Canadian shares almost equal.
- The general reference book market is heavily dominated by the U.S. (92%) followed by Canadian firms (7%)

#### 4.2.1.3 Customer Category

- Total net sales reported by customer category in 1980 were \$352 millions.
- The two largest reported domestic customer category markets are ELHI (\$79 millions) and direct to the public (\$78 millions). U.S. controlled firms dominate both: 65% of the ELHI market and 87% of the direct-to-the-public market (see Table 11).



- The third largest customer category is "other retail stores" (\$52 millions). Canadian-controlled firms captured 65% of this market.
- The fourth largest category is "post secondary" (\$31 millions) U.S.-controlled firms account for 75% of reported sales to this market.
- Thus, of the four largest domestic customer categories which account for 68% of domestic net sales, U.S.-controlled firms dominate three of them.
- Public library sales by publishers and agents in 1980 constitute only \$12.7 millions. Publishers and agents have barely begun to penetrate this market which in 1978 was estimated at \$29 millions (1978 dollars) for bookstock material (source: reports by libraries to STC for 1978).

#### 4.2.2 The French Language Publishing Firms

##### 4.2.2.1 General

- Net sales reported in 1980 by responding French language publishers totalled \$56 million; 83% of these sales were reported by Canadian-controlled companies (see Tables 5 and 9). A historical breakdown of these sales by country of control (as per Text Table No. 9) is not available from STC for reasons of confidentiality.
- The evidence is that Canadian-controlled firms have a very dominant position in terms of the publishing markets. However, some publishers dispute this point and offer other insights (see Section 7).





#### 4.2.2.2 Commercial Category

- The tradebook market is the largest commercial category (38% of reported net sales). Canadian-controlled firms dominate this market, capturing 85% of it. France-controlled firms were second, with 15% of the market (see Table 9).
- The second largest commercial category market is textbooks (37% of net sales). Canadian-controlled companies had 70% of this market. U.S.-controlled firms were second with 12%.

#### 4.2.2.3 Customer Category

The statistics by customer category also show the domination of the reported sales by Canadian-controlled firms. However, note that 37% of reported domestic sales were not specified as to customer category (see Table 12).

- The largest single purchaser of books reported on by customer category was the accredited book stores of Quebec, i.e., \$9.47 million. Eighty-five percent of these sales were reported by Canadian-controlled firms;
- The second largest purchaser of book sales reported by customer category was exclusive agents, i.e., \$6.69 million; all of these sales were reported by Canadian-controlled firms;
- Reported sales by elementary, high school and post-secondary institutions accounted for only \$3.03 million (6%), of which Canadian-controlled firms reported \$2.60 million (86%).



- Campus bookstores and other retail stores accounted for 15% of reported sales of which 73% were reported by Canadian-controlled firms.
- Sales reported to libraries totalled \$161,000, 94.4% of which were reported by Canadian-controlled firms.



## 5. FINANCIAL HEALTH OF THE PUBLISHING INDUSTRY

### 5.1 Introduction

The DOC policy objective for the book publishing industry is one of ensuring the financial health of the Canadian-controlled part of the industry so that this segment of the industry can contribute to the development of Canadian authors and their works. It was pointed out earlier that the hypothesis underlying this is that the Canadian-controlled companies would do more to support the growth of Canadian-authored books, than would foreign-controlled companies.

Serious difficulties were encountered with the existing STC and private sector data on the financial status of the industry and its sub-sectors. As a result, no firm conclusions can be reached that would serve as the basis for DOC policy decisions. We present only general findings in the next part.

More detailed issue-specific data on the financial workings and health of this very peculiar industry is an urgent requirement of DOC. The industry should share in the responsibility for improving the data available for policy research.





## 5.2 Profits and Losses in the Industry and Financial Ratios

There is no clear picture of the profit and loss status of the industry and its various sectors.

Representatives of both the French and English language sectors assert that many of the Canadian-controlled companies are losing money continually, and that it is largely the Government funds which enable them to continue operations.

An internal study conducted by the Association of Canadian Publishers of 20 Canadian-controlled English language publishers across 5 size ranges showed that all had a loss on operations during the three years 1978, 1979 and 1980. Grants brought the largest companies (i.e. net sales greater than \$1 millions) to a profit-making position, but almost all of the smaller companies showed a loss even after grants were counted.

Government studies of the industry have presented somewhat contradictory pictures.

The BMC-DOC study of the industry, using 1976-1977 data, painted a rather glum picture of the industry, showing the Canadian-controlled sector as suffering losses over the two-year period while the foreign-controlled sector was operating on a profitable basis. One or two Canadian publishers were held out as striking counter examples of this comparison.

A subsequent STC study of the industry over the three year period 1975-1977 reached a somewhat different conclusion, concluding that, for the industry as a whole, "creditable profits" had been shown through "... increasing sales and decreasing or maintaining expenses at a constant proportion of net sales." The company-level analysis of STC was more grim in tone, noting that it was mainly the large publishers



(sales greater than \$1 million) and the foreign-owned publishers that were maintaining financial stability.

It would be important to understand the detailed assumptions inherent in all of these studies before using them as a basis for policy. As well, the studies raise some major questions such as:

- . How does the industry, especially the smaller companies in it, continue to operate in the face of such losses?
- . Why is it that there have been so few reported bankruptcies in the industry, with the current recession and this record of apparent losses?
- . What are the specific impediments to profitability that are confronting the Canadian-owned sector? Are they costs, management, etc? and what could be done about them?

The preliminary financial ratios resulting from an analysis of the 1980 STC Survey are presented at Annex E. Note that these preliminary results contain potentially serious inconsistencies and are intended to be used solely as a starting point for further research.



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## 6.0 WHO IS PUBLISHING, PROFITABLY, CANADIAN-AUTHORED TITLES?

It has been pointed out in previous sections of this report that the ultimate objective of the DOC support to the publishing industry is to ensure the development of Canadian-authored titles (CAT's) through the medium of a strong, profitable Canadian-controlled publishing industry.

Thus, two questions become important to DOC in formulating policies for book publishing:

- (i) which sectors of the publishing industry are publishing CAT's? Of particular interest here is the question of the relative performance of the foreign-controlled vs Canadian-controlled sectors; and
- (ii) is it profitable to publish CAT's and, if not, what measures could be taken to make it so? The importance of this second question lies in the fact that if it is clearly unprofitable across the industry to publish CAT's, then the industrial and cultural goals of DOC could be in conflict. It would be difficult to establish the industry on a self-sustaining basis if the incentives were for the industry to continue to expand its non-profitable operations. The DOC industrial objectives would have to be changed or the existing approach recognized as a subsidy to Canadian-authored titles.

Unfortunately, existing data do not provide the basis for informed answers to these two key questions, as is explained below.

### 6.1 Who is Publishing Canadian-Authored Titles?

Representatives of both the French and English language sectors of the industry are of the view that it is the Canadian-controlled sector of the industry that publishes the large majority of CAT's. However, we have not found any evidence to demonstrate this.





The STC survey was not designed specifically to answer this question.

It is only the "B" survey of individual titles that provides evidence of authorship, and the coverage of titles by this survey is incomplete. Recent surveys show publishers reporting on the "B" survey only about 65-70% of the total titles that are reported on their "A" survey returns. Using this partial response as a basis for estimating the total production of CAT's by the industry could be undertaken only after a careful analysis of the representativeness of the "B" survey responses in terms of company size, country of control and biases inherent in reporting CAT's vs foreign-authored titles (FAT's). This analysis of the "B" survey response has not yet been carried out. Thus data from the survey must be treated very cautiously.

We report below some highlights from the 1980 "B" survey but recommend that they not be used as a basis for policy-making by DOC. More detailed work is required (see 6.2 and sections 7 and 8).

The following are highlights from the 1980 "B" survey results taken from Table 13.

#### 6.1.1 English Language Publishers

##### 6.1.1.1 STC Data for 1980

- . In 1980, 1594 new CAT's and 727 reprints of CAT's were reported by English-language publishers. Reported FAT's totalled 1066 new titles and 115 reprints.
- . Of the 2321 CAT's (new titles and reprints) reported, 60% were reported by Canadian-controlled firms.
- . Canadian-controlled firms reported 65% of the new CAT's identified in the 1980 "B" survey.



- . CAT's accounted for nearly 2/3 of the titles reported.
- . Canadian-controlled firms accounted for 69% of the new titles reported (Canadian and foreign-authored) for which authorship was specified.
- . Canadian-controlled firms reported a total of 2214 new titles and reprints (Canadian and foreign-authored); 38% of these titles were foreign-authored and 62% were Canadian-authored.
- . Foreign-controlled firms reported a total of 1288 new titles and reprints; 27% of these were foreign-authored and 73% were Canadian-authored
- . Another way of looking at the cultural development by book publishers in Canada is to examine "own" titles published as opposed to the distribution of agency titles. The data on "own" titles vs agency titles, are from the STC survey "A" responses of the total responding population as compared with the "B" survey responses, and thus they provide a more complete picture.  
Canadian-controlled English language publishers reported a total of 88,810 "own" titles and agency titles in print in 1980, whereas foreign-controlled English language publishers reported a total for both of 73,529 titles in 1980 (see Table 15).

For responding Canadian-controlled publishers 17,541 (20%) titles were classified as the publishers' "own" titles and 71,269 (80%) titles were reported as agency titles. For foreign-controlled publishers 5,435 titles reported in 1980 were "own" titles (8%) and 68,094 were reported as agency titles (92%). However, we note that the number



of agency titles distributed by foreign-controlled firms could be substantially higher as there were \$39m in sales of agency titles reported for which the number of agency titles was not indicated.

1,032 new CAT's were reported by Canadian-controlled firms in 1980. 17% of these titles were reported by companies with domestic sales of \$99,999 or less; 24% were reported by firms whose reported net book sales revenues were between \$100,000 and \$499,999; 8% were reported by firms with net book sales of between \$500,000 and \$999,999; 30% of these new titles were reported by firms with sales between \$1 million and \$4.9 million; 4% were reported by firms with sales between \$5 million; and 17% of these titles were reported by companies with sales of \$10 million and over. Thus, firms with reported net book sales of \$499,999 or less accounted for 41% of new Canadian-authored titles reported by Canadian-controlled firms (see Table 13).

Again, we repeat the caveat that these data need to be examined further before policy decisions are made. There may well be systematic biases in the responses of different companies.

#### 6.1.1.2 Canadian Books in Print (CBIP)

The CBIP presents another source for examining the question of the production of CAT's by the Canadian-controlled and foreign-controlled sectors of the English-language publishing industry.

The CBIP is a handbook for booksellers and libraries that is used to determine the source (i.e. publisher) for English-language books that are published in Canada. To be included in the CBIP, the "imprint" of the publisher must be Canadian.





Although not designed specifically to identify CAT's, we are informed by the publishers of CBIP that a recent project of the Ontario government would permit the CBIP to be used for this purpose. As part of its "Half-Back" program, officials of the Ontario government apparently have gone through the CBIP list of titles and identified the CAT's. As the CBIP data base is accessible by computer, it would not be too difficult a task to relate the CAT's back to publishers. This has not yet been done, but is suggested as a research topic for DOC (see section 8).

#### 6.1.2 French Language Publishers

The STC data on authorship are not complete and should not be used as a basis for major policy decisions. Further work is required.

With the above strong caveat, we present the following tentative highlights from the STC 1980 survey (see Table 14).

- . In 1980, 894 new CAT's and 462 reprints of CAT's were reported by French-language publishers. Reported CAT's totalled 103 new titles and 40 reprints.
- . Of the 1356 CAT's reported (new titles and reprints), 95% were reported by Canadian-controlled firms.
- . Canadian-controlled firms reported 95% of the new CAT's reported for 1980.
- . CAT's accounted for 90% of all new titles and reprints reported
- . Canadian-controlled firms accounted for 95% of the new titles reported (Canadian and foreign authored) for which authorship was specified.



- . A total of 143 foreign-authored titles (new and reprints) was reported by responding firms. Of these foreign-authored titles, Canadian-controlled firms reported 94% and foreign controlled firms reported 6%. This may offer some indication on the questions that have been posed by publishers about the actual control of some firms which qualify by STC's ownership criteria and to the increasing trend identified by publishers as the translations of American "best sellers".
- . Table 16 shows that French-language publishers who reported on "own" vs agency titles, reported a total of 13,385 titles in print. Canadian-controlled firms reported 12,742 or 95% of all titles reported by responding publishers. "Own" titles reported by French language publishers constituted 75% (9648 titles) of all titles reported by Canadian-controlled French language publishers. Agency titles reported by Canadian-controlled publishers accounted for 3,094 (24%) of all titles reported in 1980 by Canadian-controlled publishers. This is almost the reverse of the data for English language publishers, which showed 80% of titles as being agency titles.
- . The 845 new CAT's reported by 1980 by Canadian-controlled firms were accounted for as follows:
  - 3% by firms with domestic net sales of less than \$99K,
  - 29% by firms with domestic net sales between \$100K and \$499K,
  - 19% by firms with domestic net sales between \$500K and \$1 million,
  - 29% by firms with domestic net sales between \$1 and \$29 million, and
  - 20% by firms with net domestic sales in excess of \$3 millions.



6.2 Who is Profiting From Publishing CAT's?

There are no data available that permit us to answer this critical question with any degree of certainty, and we highlight it as a very important potential research topic for DOC officials.

The "B" survey of new titles and reprints, with all its limitations noted in 6.1 above, offers the tentative finding that large foreign-controlled firms achieve a higher average sales figure, on a per title basis, for new Canadian-authored titles than do large Canadian-controlled firms. This may be due to the fact that the Canadian firms report publishing mostly new Canadian trade books whereas foreign firms publish mostly new Canadian textbooks.

The situation is reversed for the medium and small English-language publishing firms, i.e. net sales of less than \$10 millions. The Canadian-controlled firms reported average per title sales for new CAT's which were considerably higher than comparable figures for the CAT's of comparably-sized foreign-controlled firms.

The data for the French-language publishers are inconclusive and do not offer even tentative findings.

This phenomenon could be explored further by DOC as part of its policy research into the industry.



## 7. ISSUES REGARDING BOOK PUBLISHING IN CANADA

### 7.1 Introduction

In the previous sections of this report, we described the diverse structure of the book publishing industry in Canada, the markets for books published in Canada, relative market shares achieved by industry sub-sectors, profitability of the different sectors and the development of Canadian titles and authors. In this part of the report we present key issues which were identified in our research regarding the book publishing industry in Canada. The previous descriptive parts of the report and discussions with industry representatives and government officials lead us to acknowledge clearly that issues and related views concerning book publishing will vary according to type of publishing done, the language market of the books, and the region and size of the publishers.

Issues that are presented were identified by publishers, government officials and in literature and assessed by the consultants as being important to the current Federal book publishing objectives. Issues were considered important if they were viewed as critical factors influencing profitability, market shares, production of Canadian titles, development of authors and independence from government.

### 7.2 English Language Publishing

#### 7.2.1 English Language Educational Publishing

It should be noted in reading this section that the issues were identified through discussions with publishers only. The views of representatives of Provincial Ministries of Education may be different.





### **Background**

Recent changes in the Ontario market place receive a lot of attention. Most of the text book publishers are located in Ontario. However, the Ontario-based textbook publishers are national, thus emphasis on Ontario is also due to the fact that changes in this market will influence their national business strategies.

The previous data demonstrated that the largest market for textbooks is in the elementary/high school field. In the 1980 ELHI market the shares were distributed as follows according to country of controlling interest:

- o US-controlled: 65%;
- o Canadian-controlled: 32%; and
- o other: 3%.

In the post-secondary market the distribution of sales achieved according to country of controlling interest was reported as follows in the STC data for 1980:

- o US-controlled: 69%;
- o Canadian-controlled companies: 20%;
- o other: 11%.

A major issue with respect to English language text publishing is its domination by U.S. firms. Text publishing is a costly endeavour to get into and requires developing products specifically suited to the needs of the client.

Several studies have recently been completed on textbook publishing. One, "The Pepperwood's Report", focuses on Canada as a whole. Another "The Ontario Classroom Textbook Survey", the Ryan Report, focuses on the Ontario marketplace. As well, a report "School Libraries in Canada", February 1982 was commissioned by the Canadian Book Publishers Council. The reports themselves should be examined for details.



The issues discussed below are:

- (i) The environment for English language EL-HI publishing in Canada;
- (ii) Changes in the Ontario market place
  - decreasing expenditures on textbooks by schools
  - decentralization of decision making
  - use of Canadian materials in Ontario; and,
- (iii) Opportunities for text publishers in Canada.

Issue No. 1: The Environment for English Language EL-HI Publishing to 1988- 89.

The "Pepperwood" Report called "The English EL-HI Report on Canadian Educational Publishing in Canada, 1982-83 to 1988-89" was a study funded under the BPDP with the following objectives:

- o to provide a comprehensive source of information to:
  - assist publishing firms to compare and update their information and to assist firms in making publishing decisions;
  - provide educators with information and to assist curriculum planners and policy makers in decisions that affect curriculum and learning materials; and,
  - to provide manufacturers and others with details on the size, scope and problems of educational publishing as a basis for planning and working with the industry.



The highlights of the "Pepperwood" Report are:

- overall expenditures (on average) on learning materials as a proportion of total spending fell 30% between 1972-73 and 1981-82;
- enrollments are expected to continue to decline until 1986-87;
- private school enrollment has increased by 54% over the past 10 years and correspondence course enrollment has increased by 20% over the last five years;
- possibly in response to the Canadian economic situation, more emphasis will be placed on a few core titles with less emphasis on supplementary material;
- changes are foreseen in curricula in order to link more closely education and the job market;
- moves are being made towards the use of advanced technology in certain provinces (e.g. the incentives in Ontario and Alberta towards an educational micro-computer);
- textbook prices are increasing, on average, at 15% per year and educational budgets are increasing, on average, by 10% per year, as a result educators will purchase 30% fewer units in 1988-89 than they purchased in 1981-82;
- Of particular importance to the DOC in developing its book publishing strategy is the following conclusion made in the study. The view was expressed in the report that there will be continued and increasing use in curriculum of Canadian-produced material. However, while emphasis will likely continue to be placed on Canadian-produced material the





structure of the publishing industry in the English language EL-HI market may become even more concentrated and dominated by U.S. controlled firms, i.e.

"Present conditions favour larger firms with secure positions in the core areas. Most book bureaus reported spending 80% of existing budgets to secure present curriculum. The remainder is used to purchase new materials. A market condition which relies heavily on higher prices and lower unit sales will increase the age of the curriculum list. An older curriculum list would continue to draw more funds leaving less to support changes in the curriculum" (see Executive Summary, p. xvi).

Given the fact that foreign-controlled firms dominate the text publishing market, room for entry by Canadian-controlled firms would appear to be limited if the above arguments are accepted and if no intervention is made by policy makers.

Issue No. 2: Changes in the Ontario Market

Most educational English-language publishers are based in Ontario and, until recently, the Ontario market has been a major market for textbook publishers, especially at the elementary/high school levels. Changes in the Ontario marketplace was identified as a major issue for textbook publishers in planning their business strategies. The following characteristics of that marketplace were noted by publishers:

- i) reduced enrollment;
- ii) a decrease in the per pupil expenditures on learning materials;
- iii) decentralization of decision-making authority for the purchase of textbooks; and,
- iv) the use of Canadian learning materials.



Of particular concern to textbook publishers were points ii), iii) and iv) above, and we discuss them below in more detail.

Decreasing Expenditures on Textbooks in Ontario's Elementary and High Schools

In January 1982 the School Group of the Canadian Book Publishers' Development Council (BPDC), consisting of 22 member companies, commissioned 'The Ontario Classroom Textbook Survey', referred to as the Ryan report. This report was supported by the Ontario Teachers' Federation. The survey analysis found that while in total Ontario the per pupil expenditure on education increased by 168% from 1979 to 1980/81, the per pupil expenditure on textbooks increased by only 24.3%. In comparing Ontario to all other provinces the per pupil expenditure on textbooks in Ontario was lowest of all. As an example, the following comparisons were made by the BPDC between Ontario and Alberta, using the survey results:

- ° The basic expenditures per pupil on textbooks in 1980/81 was \$12.44 in Ontario and \$23.17 in Alberta; and
- ° Ontario's reported expenditure per pupil on 'non-book materials' for 1980/81 was \$11.21, compared to that of Alberta, which was \$6.04.

In discussions with elementary/high school text publishers, it was reported to us that there existed a noticeable decrease in the sale of elementary/high school texts in Ontario and that this affected the national elementary/high school market. Avenues for improving the resultant financial situation of elementary/high school text publishers were basically twofold:



- ° Diversify products either in new subject matter areas and/or by developing products for elementary/high school such as software learning packages and testing materials;
- ° Expand into new markets, in particular the post-secondary or college/university markets where the STC data on reporting firms indicate that of the total post-secondary sales only 20% is achieved by Canadian-owned companies. Others suggested the need for exporting, as this was seen as a major avenue for market expansion. Australia was identified by a variety of publishers as a potentially lucrative new market for Canadian text book publishers.

#### Decentralization of Decision-Making in Ontario

Ontario is quite different from other provinces in that it is termed by publishers an 'open' as opposed to a 'closed' market. To explain, with the introduction of Ontario's Circular 14, which contains textbooks approved by the Minister of Education, a wide range of books are accepted as text material. The selection of a particular text to be used is made by individual boards, schools, or teachers. Publishers argued that the result of this decentralization of decision-making on texts to be used has been a fragmentation of the Ontario market. As well, the Minister of Education no longer specifies the amount of funds to be used for the purchase of textbooks, instead block grants are provided to the local school Boards for the purchase of all education-related expenditures. The result they argue, is that the local decision-maker or Board is free to allocate its block grant between books and other goods (e.g. recreational equipment) as decided appropriate.

As a result of the above changes, textbook publishers identified the requirement for intensive and diverse marketing efforts;





and the need for elementary/high school publishers to diversify their product lines.

#### The Use of Canadian Learning Materials in Ontario

A significant characteristic of the Ontario educational elementary/high school market is that books approved on 'Circular 14' must be both Canadian-authored and manufactured.

The 1980 STC data from reporting companies illustrates that, in fact, of the 750 new Canadian (English and French) textbook titles, 402 or 54% were published by foreign-controlled firms. There are different views on this. Educational elementary/high school publishers argue that they must publish Canadian-authored texts to remain profitable, and that Circular 14 has created this situation. Others, however, suggest that Circular 14 does not go far enough and should stipulate that the book also be published by Canadian-controlled firms. If, they argue, Circular 14 was abolished, the trend in educational elementary/high school publishing would be towards the importation of foreign and primarily US materials.

#### Issue No. 3: Opportunities for Text Publishers in Canada

While predictions about the Canadian text book market over the next 5-7 years are not optimistic, some provinces may offer new opportunities. Two examples are Quebec and Nova Scotia. In Quebec major changes are proposed to the curriculum offering potential opportunities for new product development. In Nova Scotia, the school board system is being restructured and this is considered by some Canadian publishers to be an opportunity to break into the ELHI text market through early and intensive marketing efforts.





### 7.2.2 English Language Trade Book Publishing

The following is a set of issues pertaining to trade book publishing by English language publishers as they emerged in our discussions and research of background materials. The issues are:

- What is the model desired by the Federal Government for the structure of the trade book industry?
- What strategies should be pursued to increase the penetration of Canadian book markets by Canadian publishers?
- Exploitation of export markets for Canadian books;
- Profitability of Canadian books and new Canadian authored titles;
- Profitability of Canadian trade firms and lack of working capital;
- The role of the small publishers in developing new Canadian titles; and,
- The distribution of books in Canada.

Issue No. 4: What is the Model Desired by the Federal Government for the Structure of the Trade Book Publishing Industry?

The structure of the English language trade publishing industry is commonly described as a "tiered" one i.e., consisting of a relatively heterogeneous group of publishers ranging in age, size, types of books published and business strategies pursued to increase sales.



Publishers themselves and some government officials expressed the opinion that it is this diversity of the industry which lends itself to the achievement of federal objectives for book publishing. However, the introduction of the Book Publishing Development Program, it was argued by some publishers, suggests that federal officials do not support the existing heterogeneity of the book publishing industry and, in fact, consider that a large number of relatively small firms is unhealthy. Larger firms support the program due to its emphasis on rewarding "success".

Arguments were made by both publishers and officials from a number of government Departments that while Canadian-controlled firms are, in many cases, financially weak, they have made significant contributions to the cultural objectives of the Federal Government. Canada Council officials stress the importance of supporting publishers on the basis of cultural measures, and with the objectives in mind of product diversity and regional distribution of publishers. Certainly an examination of the Statistics Canada data shows that Canadian firms are publishing a wide variety of Canadian books.

Given the two dimensions of government policy; the desire for a financially stable industry, and, one which is contributing to culture objectives, the following question is raised about the government stance on book publishing:

"Does the DOC and the Federal Government have a model in mind for book publishing and if so, what is that model?"

Most publishers argued that the existing structure of the industry is the model that should be supported by the Federal Government.



Issue No. 5: What Strategies should be pursued to increase the penetration of Canadian Book Markets by Canadian Publishers?

The Federal policy on book publishing has, as one of its objectives, to have the Canadian-owned sector of the publishing industry occupying a position of dominance. In 1980, the total domestic book sales market, including direct imports was \$898 million. Only \$213 million or less than 25% of these sales were reported by Canadian-controlled publishers and agents.

The argument has been made frequently by publishers, researchers and some government officials that the fundamental problem facing the Canadian book publishing industry is the small size of the Canadian market and the concomitant massive competition from foreign-authored books which are directly imported.

With respect to the argument that the Canadian book market is too small to support a commercially viable industry, we suggest that the focus should be on market shares achieved and penetration of specific markets as opposed to the size of the Canadian market. We therefore pose the following question:

"How well have we exploited Canadian book markets, and what opportunities still exist for increasing overall sales in the Canadian market?"

This question is discussed below with options suggested for increasing market penetration.

i) The Bookstore Market

A paper presented by Mr. J. Lorimer at the conference on "Book Publishing and Public Policy", 1981, is part of his longer paper commissioned by the ACP, on





readership and distribution in Canada. This paper points out the following:

- . that there were in 1978, 8 million English-speaking adults who reported to read books as a leisure time activity; and,
- . that 5.1 million of these readers reported reading "usually" or "sometimes" a Canadian book;

The argument made in the Lorimer paper is that it is not necessarily the size of the Canadian reading public that is the fundamental problem for Canadian publishers. Instead, the problems are ones associated with actually getting Canadian books into the hands of individual consumers, especially in bookstores. Bookstores are reported to be the most frequent and important channel for purchasing and learning about books. The Lorimer paper suggests that there are a series of "blockages" in the book distribution, information and promotion systems that prevent Canadian books from being accessed easily by potential customers in bookstores. Further work on this topic may well serve to provide strategies for promoting Canadian books and increasing access to them to the end-consumer.

A number of other problems however, are faced by publishers with respect to bookstores. They are:

- cautious and limited buying practices by booksellers due to high rates of interest and inflation;
- the use of the 'returns' system and the undefined actual costs of these returns to publishers, (e.g, transportation, administration, damage to books);
- discounting practices by bookstores;



- the growth of chainstores which tend to stock little Canadian material; and,
- the limited number of bookstores in many areas outside of Ontario (e.g. Maritime provinces and parts of the Prairie and Western provinces).

(ii) Exploiting the Public Libraries Market

In 1978, public libraries in Canada reported to STC spending \$29 million on bookstock, and \$34 million on library materials as a whole. It is interesting to note that \$17 million of the money spent by libraries on library materials was reported by Ontario libraries (STC catalogue 87-651). Canadian-owned English language firms reported in 1980 to STC that they sold to public libraries about \$9 million worth of books. French-language publishers reported selling \$75,000 to public libraries.

Both the libraries market and the bookstore market may offer opportunities to publishers for increasing their share of the Canadian market.

(iii) Other Market Opportunities

Two other potential markets which could offer opportunities for the Canadian-controlled sector are the direct mail market and the direct import market.

In 1980 sales classified as direct-to-individuals amounted to \$78 millions. Eighty-seven percent of these sales were reported by U.S.-controlled firms.

As noted previously direct imports of books amounted to \$367 million in 1980. These sales completely by-



passed Canadian publishers or agents. While penetrating the direct imports market would not contribute to the development of Canadian authors or their works, it offers significant possibilities for increasing the sales of Canadian firms.

Issue No. 6: Exploitation of Export Markets for Canadian Books

One issue identified by both federal officials and publishers was the lack of significant penetration by Canadian publishers of export markets. In fact, some English language and French language publishers have attempted to develop export markets and some have been successful in selling books or rights abroad. However, export statistics are still relatively low for Canadian publishers apart from the one English-language publisher which accounts for over 90% of all export sales. This one company exports its products in 12 languages.

Three markets specifically identified for English language publishers were: U.S. - Canadian Studies courses, Canadian sections in U.S. libraries, and the Australia market, which is reported to be more amenable to Canada's imports than to books from the U.S.

There are differing views on the need to become more active in export markets. Some publishers consider that more emphasis should be placed on developing the Canadian market; others argue that export markets are an opportunity which has not been exploited in an organized fashion. As well, the view was expressed that there is little coordination between various Federal programs to assist in export markets and that support should be given to more sustained selling and marketing efforts as opposed to once-off mission or displays at trade fairs.



Federal officials of Industry, Trade and Commerce consider that publishing firms, like firms in other sectors, must have proven track records of profitability in Canada, prior to receiving government aid to export activities. Publishers argue that due to the size of the Canadian market and the vigorous competition for it, this criterion is not appropriate to the book publishing.

Issue No. 7: Profitability of Canadian Books and New Canadian-Authored Titles

It was argued among publishers interviewed, that although individual titles may be profitable, overall, Canadian-authored books are not profit-making. The costs incurred in developing new Canadian talent does not pay off, if at all, until 5 to 7 years after the initial investment is made and often the titles remain unprofitable. It was argued however, that other activities of Canadian publishers could result in profits for the companies as a whole.

Examples of the activities which were considered to contribute to profits were:

- Use of "agency" books or the publishing of well established foreign authors as a source of book revenues, allowing profits from these books to subsidize the development of Canadian books and writers. The contribution to profitability of agency books of course depends upon the particular company with whom the arrangement has been struck and the specific nature of the agreement reached;
- Publishing of "how-to" and cook books;
- The use of various federal and provincial assistance programs to publish individual titles, to borrow money for new product development or to reduce debt loads.





Issue No. 8: Profitability of Canadian Trade Firms and Lack of Working Capital

The issue of profitability of Canadian trade publishing firms was raised as a major one by both publishers and government officials. No definitive study has yet been done on this issue (see parts 5 and 8). The actual financial status and working of this peculiar industry are only poorly understood, however.

A particular issue which pertains to the question of profitability is lack of working capital by Canadian-controlled firms.

Most publishers do not qualify, according to bank criteria, for bank loans, unless they are in Ontario, where certain publishers receive loan guarantee and interest subsidization assistance from the Provincial government. As a result, publishers often use personal assets to subsidize their business plus take on certain business practices such as delaying certain parts of their book production until absolutely necessary. This practice delays outlaying money until as late as possible.

A number of publishers are examining the possibility of establishing common production and distribution resources as well as innovative schemes for acquiring private investor capital.

Outside of Ontario, the impact of lack of access to capital is felt even more strongly because neither the federal or other provincial governments provide loan guarantee or interest subsidization assistance.

It has been argued that the Federal Government should consider providing such assistance to publishers.



Issue No. 9: The Role of Small Publishers in Developing New Canadian Authors

Both government officials and some publishers argued that it is the small Canadian firms who risk developing and publishing new Canadian authors. A Canada Council official expressed the view that small presses frequently provide the initial opportunity for Canadian writers to publish. The STC data do show that small firms contribute significantly to the publishing of new titles. One small literary publisher argued that in some cases once their author becomes well enough known, their subsequent books are published by large publishers who can offer better terms to the author (e.g., advances). It was further argued that lack of Government support to smaller publishers could eventually result in fewer new Canadian authors being developed.

Of import here, is what kind of support is being given to small publishers. Federally, some small firms do not qualify for assistance under the Book Publishing Development Program but do acquire grants under the Canada Council Block or Project Grant Programs.

The issues for the DOC regarding the role of small publishers in developing new authors are:

- are smaller publishers actually responsible for developing a significant proportion new Canadian writers?
- if so, how are they subsidizing this activity?; and,
- should there be a special form of federal assistance for small publishers?



Issue No. 10: The Distribution of Books

Problems of the physical distribution of books is a continuing source of concern to publishers and government officials. In fact some government officials consider that the inefficiencies associated with current methods for the distribution of books is one of the major barriers to developing the Canadian industry. Of interest to this topic are a limited number of discussions which we held with U.S. librarians who purported to want to order Canadian books, but as yet have found no information on a simple means of doing so.

A major study was conducted on this matter by the DOC-funded "Distribution Task Force" and should be referenced for details.

7.3 French Language Publishing

For Québec publishers as a whole, the following overall problems of a structural nature were identified as affecting their profitability:

- the small size of the French market and its geographic dispersion;
- the large number of publishers competing for the Québec market (both Canadian and foreign-controlled); and,
- the deeply rooted and sizeable presence in Québec of publishing firms and books from France.

7.3.1 French Language Educational Publishing

Two issues are identified:

- (i) Defining new markets for Québec text book publishers; and,
- (ii) New rules for Scholarly and University presses.





As noted previously an issue of concern to both text and trade publishers in Québec is the size of the Québec market.

A report recently completed by Drouin Paquin, ("Société de développement du livre et du périodique. Etude visant à déterminer une stratégie de développement des marchés de l'édition en langue française au Canada et en France. Situation sur les marchés canadiens, le 30 décembre 1980"), suggests that annual sales of French language textbooks at the primary and secondary levels are approximately \$34 million in Québec. Québec-owned and controlled text publishers are estimated to account for about 75 to 80% of the sales in the Québec Market, (i.e., about \$26 to \$27 million). STC data confirm this estimate.

Using these figures, Québec-owned companies appear to be in a dominant position in the Québec text EL-HI book market.

However, these figures refer only to Québec and not to the share of the market held by Québec firms in the total Canadian text market. Estimated sales by Québec publishers to other provinces are about \$6 million. Thus, as in the case of the English language Canada, the issue of new market development is an important one for increasing the sales of Québec text publishers.

With respect to the Québec text market in Canada, a variety of problems were identified by publishers and representatives of their organizations. The following listing taken from the D.P. report shows that these publishers may have to look outside of Québec in order to increase their sales.



- declining enrollments due to marked demographic changes;
- serious uncertainty over content of curricula;
- competition from the increasing use of audio-visual resources and techniques that are not controlled or in the hands of Québec publishers;
- photocopying of materials;
- greater use of basic reference texts as opposed to manuals;
- the large number of publishers relative to the small size of the market; and,
- the attempt by school boards to be self-sufficient and to produce their own paedagogical material.

The issue here, then, is "How can Québec text publishers expand the definition of their market and develop strategies for penetrating appropriate new markets?".

An approach which might be assessed for Québec text publishers is a fact-finding mission to identify markets which could represent effective demand for their products.

Before presenting options for new markets for Québec text publishers we identify three opportunities for increasing their share of the Québec market. They are:

(i) Release of a Guide on Recommended Texts

The Québec Department of Education has begun to issue lists of appraised and recommended textbooks. This follows a hiatus of two years where publishers report sales were low because school boards could not order new books. Concerning this list, publishers reported to us that the content of school texts is much



more specific to the Québec situation than in the past. There are conflicting views within the industry as to the impact of these new specifications. Some publishers considered they will make it more difficult for them to sell their texts in other Canadian provinces. Other publishers are of the opinion that texts can be easily adapted at low costs so that sales outside of Québec will not be unduly affected. They also considered that potential increases in sales within Québec will allow them to adapt their texts without a significant loss in profitability.

Capitalizing on this list at an early stage may give Québec-owned firms an edge on the competition for these markets.

(ii) Restructuring of School Boards

A major change is expected for the restructuring of Québec School Boards, which will greatly reduce the number of Boards. The implications to publishers of this change are not yet known.

(iii) Direct Sales to School Boards and Schools

In 1981, the province of Québec allowed publishers to sell directly to school boards and to individual schools. Publishers were receptive to this change but it is difficult to say if the move resulted in increased sales since declining school enrollments may have offset any increases.

Markets outside of Québec which may represent opportunities for Québec text publishers are:



### Other Canadian Provinces

French immersion and French-as-second language courses in other provinces of Canada may offer opportunities for Québec publishers. Some Québec publishers have already had some successes in these markets but there may be need for a more systematic and strategic approach to fully capitalizing on this opportunity.

### The Export Markets

Two export markets identified are French-speaking countries outside of France and the United States. Some individual publishers have had some successes in export markets, but there may be room for much greater penetration. Some French-speaking countries are already tied to France for text imports but others may provide opportunities for increased sales. As well, some government officials suggested that a market which has been relatively untouched by Québec publishers is the French text market at the post-secondary level in the United States.

## Issue No. 12: New Rules for Scholarly and University Presses In Québec

In Québec there are three university presses. According to the Drouin-Paquin Report the 100 or so new scholarly titles published in Québec each year account for approximately 35% of the French-language scholarly market in Canada (Drouin-Paquin Report Situation sur les marchés canadiens).

The Drouin-Paquin Report identifies the following as the major characteristics of French language scholarly publishing in Québec:

- about 15 to 20% of production is exported;
- competition consists mainly of European imports;





- demand is restricted, international and difficult to stimulate;
- production costs are high;
- runs are very small, from 300 to 500;
- financial resources are precarious; and,
- many authors, particularly in the new technical disciplines, prefer to be published in English.

Scholarly presses in Québec report experiencing overall annual deficits of approximately 15% of their operational budgets. Whereas in the past the universities would make up the deficit, now they no longer do so because the Department of Education has instructed them to stop this practice. The presses are under increased financial pressure. They report that they are now refusing manuscripts they would normally have published because they are too risky financially.

Scholarly presses asked for financial assistance from Québec's Formation des chercheurs et action concertée (FCAC) but the request was turned down.

### 7.3.2 French Language Trade Book Publishing

The following issues are discussed regarding French language trade book publishing:

- the effects of the current economic situation on both bookstores and publishers;
- profitability of small literary publishers and the need for government support;
- capitalizing on other markets;
- publishers' cooperative programs.



Issue No. 13: Effects of the Current Economic Situation on Québec Bookstores and Publishers

Québec publishers reported that due to rates of inflation and interest, Québec bookstores are:

- ordering fewer books;
- returning unsold books after an exposure time which is much shorter than in the past;
- devoting window space almost exclusively to American best sellers which are translated into French, titles from major French (i.e., France) publishers who can guarantee publicity, and only those few Québec-authored books that are high profile.

Current economic conditions were also reported to directly effect publishers, i.e.,

- publishers reported that the number of new literary titles published has fallen;
- print runs are smaller, reducing the actual amount of capital outlay, but also increasing the per unit cost;
- of particular importance to the DOC Program, publishers repeated that they are delaying, or even refusing, to publish new authors and titles on the basis that they are too financially risky. They reported that in previous years they would have taken more risks. In response to these problems, some publishers report that they have started to publish "how-to" titles in order to support the publishing of literary titles.

Issue No. 14 Profitability of Small Literary Publishers and the Need for Government Support

Small literary publishers interviewed expressed serious concern about their ability to survive, pointing out their increasing



indebtedness. They argued that it is more difficult for them to publish commercially marginal titles such as poetry and plays and consider that their operations must be seen as long term ventures. These publishers considered that the viability of their operations rests on their having a large body of titles available and that this requires long-term financial support from government.

Three further issues were identified:

- the lack of support from the Government of Québec;
- the "unfairness" of the DOC formula because it favours publishers with high sales volumes and does not specifically reward the publication of new titles;
- the serious difficulties of penetrating the export markets because foreign distributors are not interested in their small production, and because they cannot afford the promotion necessary (e.g. sending authors on tour abroad).

Small literary publishers are usually subsidized on the basis of one title, one author, (as in the case with project grants from the Canada Council). As a result, they argue, they cannot develop a more viable and solid infrastructure required to contribute to profitability.

Issue No. 15: Capitalizing on Other Markets

A recurrent theme among Québec French language publishers is that their literary production cannot be commercially viable because the domestic market in Québec is too small. The Association des Éditeurs Canadiens refers to a study by Alain Perier, of the Ecole de Bibliothéconomie de l'Université de Montréal, which states that in 1970 literary books in Québec accounted for one-quarter of all books published, but the figure





had dropped to one-seventh in 1977. A UNESCO study, quoted by the Association des Éditeurs Canadiens, argues that a minimum population of 15 million is required for a commercially viable publishing industry. While the Québec French-speaking population will remain the core market for publishers, some argue that commercial viability rests on the penetration of other markets. Both publishers and federal officials considered that export markets have not yet been exploited by Québec publishers. Some examples are:

- Professors and students of French in the U.S.;
- Other French-speaking countries;
- Francophones in other provinces of Canada; and,
- Students of French immersion courses in Canada.

Issue No. 16: Publishers' Cooperative Programs

Problems of profitability, distribution and rising costs have resulted in Canadian publishers considering establishing cooperative efforts for certain aspects of their business. An example of a cooperative program which is being established is described below.

In November 1981, the Groupe des Editeurs Littéraires Franco-phones d'Amérique du Nord Inc. (Gelfan) retained the services of Drouin Paquin to help formulate a development strategy (Drouin Paquin, Gelfan Stratégie de développement de l'édition littéraire, le 3 août 1982).

Gelfan consists of approximately 15 very small literary publishers with a total annual sales value of \$600,000. The Drouin Paquin mandate was to:

- analyze the market characteristics for Gelfan (literary production, distribution methods, financial situation, approach of integrated publishers such as Sogides);



- analyze the aims and objectives of the Gelfan members;
- define an overall strategy for Gelfan; and,
- elaborate an action plan for pursuing the strategy defined.

The Drouin Paquin Report recommended the following:

- that individual publishers retain control over content, contacts with authors, format, print runs and price;
- that Gelfan should have a shared permanent secretariat that would provide general administrative services such as purchasing, bookkeeping, shipping and distribution, storage, media and public relations;
- that the development plan for Gelfan should include two basic elements: publishing of a pocketbook series and, the development of an extensive computerized mailing list.

The support of cooperative programs of publishers may, in fact, be considered by the DOC as an area of increasing value to publishers. We suggest that efforts be made by the DOC to follow the Gelfan project.



## 8. POSSIBLE TOPICS FOR POLICY RESEARCH BY DOC OFFICIALS

### 8.1 Introduction

The purpose of this section is to identify for DOC officials a set of topics which warrant further research. The topics are classified as those which would be of possible benefit to Canadian publishers as a whole, in developing their business plans; and, those which are directly related to the DOC work to be conducted in preparation of its book publishing strategy paper.

### 8.2 Topics of Interest to Publishers

#### 8.2.1 Increasing Penetration of Existing Markets and Opening up New Ones

Six research topics are suggested below for increasing the sales of Canadian publishers through increased market penetration and the development of possible new markets. They are listed in order of priority for conducting research.

##### 1. The Individual Consumer: The Bookstore Markets

Bookstores are a fundamental link in the production - consumption process for books. The purpose of this project would be to identify specific means for more fully exploiting the potential market of individuals who purchase books in book stores. An analysis of the English language part of the 1978 STC readership survey, carried out for the Association of Canadian Publishers\*, showed that book stores were by far the most significant channel through which individuals purchased books, browsed and got information on books. Both French and English Canadian publishers have expressed serious concerns about the very limited access which their books receive to the book stores.

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\* See The Readership and Distribution of Books in Canada, J. Lorimer an analysis of the readers of English language books in Canada: What they read, where they get their book, and how they find out about a book, a paper presented to the Conference on Book Publishing and Public Policy, April 1981.



The research could consist of a micro-level study of the stocking, ordering and promotion approaches of the chain and independent book stores to both CAT's and FAT's. Reasons for the bookstores' current approach to the CAT's would be identified in detail for both the French and English language markets.

The output of this research would be a brief summary of the situation in both language markets and, if appropriate, specific strategies that individual sectors of the Canadian publishing industry should follow to improve their access to this market. Again if appropriate, possible Government action would also be highlighted.

2. The Direct Import Market

Fully 36% of the 1980 estimated book market consisted of direct imports that by-passed Canadian publishers and agents. This represents a market of \$367 millions.

A research study could explore in detail the mechanics of this market and suggest specific strategies for Canadian publishers to tap into it. Note that this would not improve the market share of CAT's. However, it might improve significantly the overall market share of Canadian-controlled firms.

The 1982 "zero rating" study of DOC has begun to explore this issue and could serve as a good basis for further research.

3. Direct Mail Markets in Canada and Abroad

Sales in 1980 reported to STC as being "direct to the consumer" totalled \$78 million. 87% of these sales were reported by U.S.-controlled firms. The direct mail market may offer for Canadian publishers an opportunity which has not yet been attacked in a systematic or aggressive fashion. A great deal of research has been done on the direct mail business and it may be useful to





devote some DOC and publishers resources to a detailed market and strategic analysis of the direct mail business including the sources of books for direct mail and options for opening it up to Canadian publishers.

4. Exploiting the French Immersion Market

A number of French language publishers have managed successfully to have some of their books adopted for French immersion courses in provinces outside of Québec. The result of this research would be to assist French-language publishers to develop a systematic strategy for increasing Québec publishers' sales to French immersion classes and libraries in other provinces in Canada. The starting point for this study would be a more detailed examination of the present purchasing patterns of the Provinces.

5. Penetrating the Public Libraries' Market

In the last reporting year to STC (1978) public libraries as a whole reported spending \$29 million on "book stock". Total expenditures by public libraries on "library materials" was \$38 million. In Ontario alone, public libraries reported spending \$17 million on "library materials" in 1978. (STC catalogue No. 87-651, 1978, "Public Libraries in Canada"). The 1980 STC data on publishers shows that Canadian English language firms reported sales of only \$9.9 million to public libraries; French language firms reported sales of \$75,000 to public libraries. The 1980 sales are in 1980 dollars, so it is evident that Canadian publishers are achieving only a small portion of this market.

The public libraries market, then, could represent a major market opportunity for Canadian-controlled publishers and for Canadian books as a whole.



The research would focus on the acquisition and ordering patterns of public libraries in Canada and would then identify specific strategies for increasing the Canadian sectors' share of that market.

6. Exploiting Export Markets

Export markets are viewed by most publishers (in Canada and in the U.S.) as one of the major ways of making a profit on individual titles. Research would focus on identifying, for various genres of publishing, the potential export markets which would increase the sales of Canadian books. The key to this analysis would be to determine what the effective demand would be for Canadian books within specific export markets.

English-language publishers have done some work to assess the potential of specific export markets for Canadian texts. As well, some trade book publishers have been relatively successful in export markets. Examples of export markets which could be looked at in detail are secondary and post secondary institutions which have Canadian studies courses; U.S. libraries which have "Canadiana" collections; as well, Australia may offer potential, especially for text publishers.

The French-language publishers seem to pursue export markets more aggressively than their English-language counterparts. Individual efforts have been made to sell books to French-speaking countries outside of France as well as to French schools in the U.S. Research could provide the basis for developing an overall strategy for groups of publishers to make a systematic attack on the export markets identified.



The output of this research would be specific strategies for tackling export markets. Strategies would have to be prepared for:

- text and trade markets;
- French and English-language markets; and
- U.S. and other export markets.

#### 8.2.2 Cooperative Activities by Publishers

Although not properly a "research" topic, we include this area as it may be useful for DOC to consider a more active promotion of the BPDP as a vehicle for establishing joint ventures.

As costs of publishing increase, publishing houses are examining the possibilities of conducting jointly certain aspects of their business.

The "Gelfan" report highlighted the importance of such co-operative undertakings for French-language publishers. As well, a number of English-language firms are making tentative steps in this direction. Initiatives for such co-operation should come from individual publishers, if they are to succeed. The role of DOC could be to promote the idea actively, and attach a higher profile to using the BPDP funds to stimulate such initiatives.

Note that the above suggested studies on markets could provide to publishers a focal point for the cooperation in market identification and exploitation strategies.

#### 8.3 Topics for DOC Policy Research

A major research topic to be addressed by DOC over the next two years is the question of the effects of the DOC major instrument, the Book Publishing Development Program (BPDP), on the industry. An evaluation of the BPDP is to be conducted which will examine, inter





alia, the effectiveness of the BPDP in contributing to the development of Canadian authors and titles through improvements to the financial health of the industry.

We list below a number of other research topics of importance to DOC in formulating a strategy for the industry. Most of the following issues could be dealt with, in part at least, during the BPDP evaluation but DOC management may not wish to wait until 1984 to examine some of the specific questions.

We recommend strongly that any further DOC-sponsored research into the workings of this industry have two major features:

- it should be very issue-specific, designed to answer specific policy questions; and
- it should probe into the inner workings of this industry and be carried out at a macro and micro-level of detail. Depending on the particular issue it may well be appropriate to carry out analyses of individual companies to resolve the policy issues.

#### 8.3.1 Who is Publishing CAT's?

It would be useful to have a definitive answer to this question in order to facilitate DOC policy setting, as it is a keystone of existing DOC policy. The question would have to be answered for the Canadian-controlled and foreign-controlled sectors, as well as for sub-sectors of each. The two language markets would require separate studies.

It was noted in Section 6 that the CBIP offers a relatively inexpensive method to resolve the question for English language books. For French-language books, care would have to be exercised in examining the types of corporate structures that qualify firms as Canadian-controlled.



### 8.3.2 Who is contributing to the development of Canadian authors?

Some industry representatives are of the view that it is the small Canadian-controlled companies that seek out and develop the new Canadian talent, thus contributing directly to the cultural objectives of the DOC book publishing policy.

It would be useful to test this hypothesis. If it were true, DOC officials may wish to consider according special treatment to such publishers. DOC has in fact begun some work on this question.

### 8.3.3 Is it Profitable to Publish CAT's?

Answering this question is also fundamental to DOC policy analysis. As noted earlier, if it turned out that CAT's were not profitable then the DOC current strategy of "cultural industries" would have to be re-examined.

The question would have to be examined for the Canadian-controlled vs foreign-controlled sectors, and for the text and trade book markets. As above, the two language markets would require separate treatment. It may also be necessary to further divide "text" and "trade" into sub-categories by topic/type of book.

A benchmark would have to be established to compare the profitability of CAT's with that of FAT's.

Answering this critical question would necessitate taking a micro-level look at certain sectors of the industry, and making appropriate assumptions about cost accounting procedures to be followed. It may be advisable to conduct two pilot studies on sub-sectors to establish a methodology, i.e. examine the profitability of CAT publishing for:

- English language trade (fiction) books; and
- French language text (post-secondary Arts) books.



The methodology developed could then be applied to the other sectors.

Reasons for profitability, or lack thereof, would be identified for the various sub-sectors and, if appropriate, recommendations made to the industry and to the Government.

8.3.4 Is the industry profitable now, and what is the prognosis for the industry?

There is still no definitive picture of the financial health and workings of this very peculiar industry, upon which DOC could base its policy review. It is critical that this question be answered before major policies are set. The present evidence is unclear.

We believe that a company-level analysis would be required to be of use to DOC. A representative sample of companies could be selected for detailed study. The following items would be reported upon:

- performance of the companies during the current recession;
- source of funds over the years (new equity, shareholders' loans, retained profits);
- profit record over the years, by CAT's, FAT's and activity (i.e. publishing, agent activity, distribution, printing, export);
- special factors causing, or preventing, profitability;
- the prognosis for profitability; and
- if appropriate, recommendations to the industry and to the Government.









## ANNEX "A"

### GOVERNMENT PROGRAMS IN SUPPORT OF BOOK PUBLISHING

An important dimension of the Canadian book publishing scene is the variety of government programs designed to support book publishing. Programs are provided by the Federal government and by some Provincial governments.

In the Federal government there is a variety of such programs but of most importance to publishers are the Canada Council Block and Project Grants and the DOC's Book Publishing Development Program. The relative importance attributed to these Programs by individual publishers varies according to the publishing houses themselves.

Other Federal Government Programs are: the Program for Scholarly Publishing of the Social Services and Humanities Research Council of Canada; the Co-Publishing Program of Supply and Services Canada; Programs of the Secretary of State; and, External Affairs. As well, publishers can apply for assistance from Programs such as the Program for Export Market Development of Industry Trade and Commerce.

#### Provincial Government Programs

The Ontario government is the most active provincial government in support of book publishing, in particular through its loan guarantee and loan interest subsidization programs. As well, Ontario's "half back" program provides incentives to consumers to "buy Canadian".

In the educational field the Ontario government specifies that books approved on its Circular 14 must be Canadian-authored and manufactured. Circular 14 is the list of approved books that can be used as educational material in the province of Ontario. Books used in Ontario classrooms must be contained in Circular 14. Circular 14 does not dictate that eligible titles must be published by strictly Canadian-controlled firms. In the educational field again the Ontario government also provides assistance to publishers under the French Language Learning materials fund.



The Ontario Arts Council also provides block grants to publishers, similar to the Canadian Council Block grants.

Other Provincial Governments are relatively inactive in their support to publishing and thus for publishers outside of Ontario, the Federal Programs are particularly important. The Province of British Columbia does have an authors assistance program which is similar to the Canada Council project grants as well as a loan interest subsidization Program. The loan interest subsidy program is based on 50% of the prime lending rate at the prevailing rate, monthly. It is paid on a bi-annual basis and reporting by publishers is also on this basis. Negotiations on measures for assisting Book Publishing between the BC governmental publishers have arrested for one year.



## ANNEX "B"

### THE STATISTICS CANADA SURVEYS AND DATA BASES

It is important to understand the data that were used in preparing this profile. While a review is being conducted by STC and DOC officials of the book publishing A and B surveys of the Cultural Statistics Program, we note here the limitations and special features of the surveys and the STC data which should be considered.

The following summary is taken from the current STC five year plan.

#### i) Background and Rationale of the Book Publishing Surveys

The book publishing surveys were originally developed in 1972 with the following objectives:

- (a) to assist the Secretary of State Department, the Canada Council, and the National Library to develop book policies and programs and to monitor and evaluate such policies;
- (b) assist the Department of Industry, Trade and Commerce in their support of trade fairs in foreign countries and their participation in industrial development strategies;
- (c) assist provincial governments to develop, monitor and evaluate book policies;
- (d) assist the industry itself to plan publishing strategies and to monitor its own activity with a view to improving financial and marketing expertise.

The general direction of the book surveys were set at a conference of government departments (provincial and Federal) and trade associations on September 17, 1973. This group of users and respondents examined four sectors of interest: publishing houses, distributors (both wholesale and retail), authors, and readers. Out of the conference came the decision to go ahead with the publishing survey to collect combined data for the years 1972 and 1973, to be followed by the collection of annual data thereafter. Data on distribution was to be collected on an annual basis, starting with the 1975 data year.





The survey as it exists today first collected data for the years 1972 and 1973. There were a total of four forms involved: one to collect information on the firm, and three to collect information on individual books (new titles, reprints, and backlist sales).

By 1975 three major changes took place. Publishers were asked to provide profit and loss statements and a balance sheet; they were asked to report on their fiscal year instead of the calendar year; and finally, coverage was reduced by surveying only those above a lower limit of sales revenue and titles in print. These changes meant that STC decided to provide estimates as the total book publishing market as well as the results of the surveys.

For 1972-1974 Statistics Canada conducted a "full coverage survey" which was intended to establish the population of publishers in Canada. In 1974 STC received 448 responses and this was considered to be 100% coverage. The criteria for inclusion in the subsequent surveys were as follows:

- . For the survey years 1975-1979 the responding firm must have published or reprinted at least one title for the survey year and have had at least six titles in print and at least \$20,000 in net book sales;
- . For the survey year 1980, the criteria regarding books published and books in print remained the same as for previous years but the lower limit required for net book sales was increased to \$50,000;

As well, if a publisher wishes to be surveyed and does not meet the criteria for the particular survey year, they may be included in the survey if a good reason is presented to STC officials. An example would be a publisher which has changed from one product line to another and for that reason did not publish a new title that year, but in previous years had met all criteria.



There was one other major change in 1975. Firms engaged solely in the exclusive distribution of books with no publishing activity of their own were surveyed for the first time. This was the initial step in what was to develop into a major survey of distributors.

Almost from the start of the survey the industry objected to the response burden placed upon them and singled out the "backlist" form as particularly objectionable. The backlist form was thus dropped in 1977, but in doing so it meant that the sales history of any particular title could no longer be traced. In fact, the actual quality of the data reported on the backlist form was of such low quality that dropping the form was not really as important as it may seem. Recently, (August, 1982) the decision was made to drop the reprint form for 1982 since without backlist sales STC considers that it serves little purpose.

In 1980 STC considers that its book publishing survey covers about 94% of total industry sales to which estimates can be provided for a picture of the total market. The survey of new titles i.e. the "B" survey, provides detailed information on each individual title which is reported upon. The exclusive agents survey which when added to the importation done by publishers accounts for about 45% of all imports. Data from other sources provide general information on the 55% of imports not surveyed by the Cultural Statistics Program.

ii) The Data Base

Computerized data sets exist back to 1972. At present, the 1981 data year is currently being collected and processed. The quality of the data can be described as having three aspects:

- (a) the return rate for the surveyed populations;
- (b) the response rate to particular questions; and
- (c) the respondents' ability to provide the high level of detail required. There is no problem with the return rate (a) above; some problems do exist with response rates to individual



questions and the respondents' ability to provide detailed information. For example, publishers find it next to impossible to provide production costs on a per-title basis. Secondly, publishers only provide detailed information on about 61% of their new titles.

iii) 1980 Survey of Publishers: Returns and Mailout

For the 1980 survey year, 239 survey questionnaires were mailed out by Statistics Canada, 160 to English language firms and 79 to French language firms. Twenty-four were subsequently deleted from the survey. Total responses classified by STC as "useable" responses were 186; 131 of the "useable" responses were from publishers classified as being english language firms (ie a response rate of 89%) and 55 of the "useable" responses were from publishers classified as being French language publishers (ie a response rate of 69%). Note however, that this overall response rate does not mean that the response rates on individual questions are equivalent to all "useable" returns response rate. STC provides repsonse rates on individual questions on an as-required basis.



PROFILE OF THE BOOK PUBLISHING  
INDUSTRY IN CANADA

ANNEX C: TABLES OF 1980 STC SURVEY RESULTS

CPER MANAGEMENT CONSULTING INC.  
OTTAWA

MARCH 31, 1983





TABLE 1

## NO. OF FIRMS BY PROVINCE AND ACTIVITY, 1980

| <u>Province</u>  | <u>Publishers<br/>Only</u> | <u>Publishers &amp;<br/>Excl. Agents</u> | <u>Excl. Agents<br/>Only</u> | <u>Total</u> |
|------------------|----------------------------|--|------------------------------|--------------|
| Nova Scotia      | 3                          | 1  | -                            | 4            |
| New Brunswick    | 1                          | -  | -                            | 1            |
| Newfoundland     | 2                          | -  | -                            | 2            |
| Quebec           | 38                         | 20                                       | 17                           | 75           |
| Ontario          | 52                         | 45                                       | 26                           | 123          |
| Manitoba         | 3                          | -  | -                            | 3            |
| Saskatchewan     | 3                          | -  | -                            | 3            |
| Alberta          | 3                          | 1  | -                            | 4            |
| British Columbia | <u>9</u>                   | <u>5</u>                                 | <u>-</u>                     | <u>14</u>    |
| Total            | 114                        | 72                                       | 43                           | 229          |

Source: Exclusive Agents: 1980 STC Revenue List, Publishers  
and Publishers/Agents from STC "A" Survey.



TABLE 2

## COMPANIES BY LANGUAGE &amp; BUSINESS ACTIVITY, 1980

| <u>BUSINESS ACTIVITY</u> | <u>LANGUAGE OF PUBLISHER</u> |                |              |
|--------------------------|------------------------------|----------------|--------------|
|                          | <u>French</u>                | <u>English</u> | <u>Total</u> |
| Publishing only          | 35                           | 79*            | 114          |
| Publishing & Excl. agent | 20                           | 52             | 72           |
| Exclusive agents only    | <u>15</u>                    | <u>28*</u>     | <u>43</u>    |
| Total                    | 70                           | 159            | 229          |

\*includes 1 other language publisher

TABLE 3

## COMPANIES BY LANGUAGE &amp; COUNTRY OF CONTROLLING INTEREST

| <u>COUNTRY OF CONTROL</u> | <u>LANGUAGE OF PUBLISHER</u> |                |              |
|---------------------------|------------------------------|----------------|--------------|
|                           | <u>French</u>                | <u>English</u> | <u>Total</u> |
| Canada                    | 64                           | 118*           | 182          |
| Foreign                   | <u>6</u>                     | <u>41</u>      | <u>47</u>    |
| Total                     | 70                           | 159            | 229          |

\*includes 1 other language publisher AND 1 other language exclusive agent

Source: Statistics Canada "A" Survey of Publishers



TABLE 4

**NO. OF PUBLISHERS & REPORTED NET SALES BY SIZE OF FIRM & COUNTRY  
OF CONTROLLING INTEREST, 1980**

Canadian Controlled

| <u>Size of Firms(Net Sales \$)</u> | <u>No. of Firms</u> |         | <u>(\$000's)<br/>Sales</u> |
|------------------------------------|---------------------|---------|----------------------------|
| 0 - 99,999                         | 46                  | (29.4%) | 2,203                      |
| 100,000-499,999                    | 61*                 | (39.1%) | 14,111                     |
| 500,000 - 999,999                  | 15                  | (9.6%)  | 10,306                     |
| 1m - 4.9m                          | 25                  | (16.0%) | 59,655                     |
| 5m - 9.9m                          | 5                   | (3.2%)  | 33,085                     |
| 10m -                              | 4                   | (2.6%)  | 152,061                    |
|                                    | <u>156</u>          |         | <u>271,421</u>             |

Foreign Controlled

| <u>Size of Firms (Net Sales \$)</u> | <u>No. of Firms</u> |         | <u>(\$000's)<br/>Sales</u> |
|-------------------------------------|---------------------|---------|----------------------------|
| 0 - 99,999                          | 0                   |         | 0                          |
| 100,000 - 499,999                   | 0                   |         | 0                          |
| 500,000 - 4.9m                      | 14                  | (46.6%) | 35,912                     |
| 5m - 9.9m                           | 9                   | (30.0%) | 57,241                     |
| 10m -                               | 7                   | (23.4%) | 146,988                    |
|                                     | <u>30</u>           |         | <u>240,141</u>             |

Source: Revenue List of responding publishers for STC "A" Book Publishing Survey.





TABLE 5

## REPORTED MARKET FOR CANADIAN PUBLISHERS, 1980

REPORTED DOMESTIC & EXPORT SALES BY LANGUAGE OF PUBLISHER  
AND COUNTRY OF CONTROLLING INTEREST

| <u>CANADIAN CONTROLLED</u> | <u>LANGUAGE OF PUBLISHER</u> |                |                   |
|----------------------------|------------------------------|----------------|-------------------|
|                            | <u>English</u>               | <u>French</u>  | <u>Total</u>      |
| Domestic sales (\$)        | 125,881,217                  | 45,757,541     | 171,638,758       |
| Export Sales (\$)          | <u>98,722,749</u>            | <u>885,970</u> | <u>99,608,719</u> |
| Total Sales (\$)           | *224,603,996                 | 46,643,511     | 271,247,507       |

\*does not include sales by other language publishers

| <u>FOREIGN CONTROLLED</u> | <u>LANGUAGE OF PUBLISHER</u>  |                              |                               |
|---------------------------|-------------------------------|------------------------------|-------------------------------|
|                           | <u>English</u>                | <u>French</u>                | <u>Total</u>                  |
| Domestic sales (\$)       | 226,470,565                   | 9,209,565                    | 235,680,130                   |
| Export Sales (\$)         | <u>4,313,602</u>              | <u>148,738</u>               | <u>4,462,340</u>              |
| Total Sales (\$)          | 230,784,167                   | 9,358,303                    | 240,142,470                   |
| <br><b>GRAND TOTAL</b>    | <br><u><u>455,388,163</u></u> | <br><u><u>56,001,814</u></u> | <br><u><u>511,389,977</u></u> |

## ADJUSTED GRAND TOTALS

|                  |                        |
|------------------|------------------------|
| <u>Domestic:</u> | <u>\$411.8 million</u> |
| <u>Export:</u>   | <u>\$105. million</u>  |

Source: 1980 STC "A" Survey of Publishers



TABLE 5A

**NO. OF EXCLUSIVE AGENTS, AND TOTAL NET SALES  
BY SIZE OF FIRM & LANGUAGE OF AGENT, 1980**

English Language Agents

| <u>Size of Firms (Net Sales \$)</u> | <u>No. of Firms</u> | <u>Sales (\$)</u> |
|-------------------------------------|---------------------|-------------------|
| 0 - 99,999                          | 3                   | 119,748           |
| 100,000-399,999                     | 8*                  | 1,983,844         |
| 400,000 - 999,999                   | 3                   | 1,960,233         |
| 1m - 3.9m                           | 6                   | 11,779,515        |
| 4m - 8.9m                           | 5                   | 26,115,832        |
| 9m +                                | 3                   | 35,965,430        |
|                                     | <hr/> 28            | <hr/> 77,924,602  |

\*includes 1 small other-language exclusive agent.

French Language Agents

| <u>Size of Firms (Net Sales \$)</u> | <u>No. of Firms</u> | <u>Sales (\$)</u> |
|-------------------------------------|---------------------|-------------------|
| 0 - 499,999                         | 5                   | 748,421           |
| 500,000 - 999,999                   | 3                   | 2,455,414         |
| 1m - 2.4m                           | 3                   | 4,849,147         |
| 2.5m +                              | 4                   | 21,647,164        |
|                                     | <hr/> 15            | <hr/> 29,700,146  |

Source: STC 1980 survey of Exclusive Agents



TABLE 5B

NO. OF EXCLUSIVE AGENTS, AND TOTAL NET SALES  
BY SIZE OF FIRM & COUNTRY OF CONTROLLING INTEREST. 1980

Canadian Controlled

| <u>Size of Firms (Net Sales \$)</u> | <u>No. of Firms</u> | <u>Sales (\$)</u> |
|-------------------------------------|---------------------|-------------------|
| 0 - 99,999                          | 6                   | 268,916           |
| 100,000-399,999                     | 5*                  | 1,446,792*        |
| 400,000 - 999,999                   | 6                   | 4,415,647         |
| 1m +                                | <u>9</u>            | <u>29,496,387</u> |
| Totals                              | 26                  | 35,627,922        |

\*Includes 1 small Canadian controlled other-language exclusive agent.

Foreign Controlled

| <u>Size of Firms (Net Sales \$)</u> | <u>No. of Firms</u> | <u>Sales (\$)</u>  |
|-------------------------------------|---------------------|--------------------|
| 0 - 99,999                          | 0                   | 0                  |
| 100,000-399,999                     | 5                   | 1,136,305          |
| 400,000 - 999,999                   | 0                   | 0                  |
| 1m - 3.9m                           | 4                   | 7,903,856          |
| 4m - 8.9m                           | 5                   | 26,991,235         |
| 9m +                                | <u>3</u>            | <u>35,965,430</u>  |
| Totals                              | 17                  | 71,996,826         |
| Grand Total (\$)                    |                     | <u>107,624,748</u> |

ADJUSTED  
GRAND TOTAL

119.2 million

Source: STC Revenue Printout on Exclusive Agents, 1980 Cultural Statistics Program.



TABLE 6

REPORTED NET SALES OF OWN & AGENCY TITLES BY LANGUAGE OF BOOK  
AND LANGUAGE OF PUBLISHER, 1980

French Language Book Sales

|                    | \$000<br><u>Own Titles</u> | \$000<br><u>Agency Titles</u> | \$000<br><u>Total</u> |        |
|--------------------|----------------------------|-------------------------------|-----------------------|--------|
| By Fr. Lang. Pub.  | 39,642                     | 13,520                        | 53,162                | (71%)  |
| By Eng. Lang. Pub. | <u>21,117</u>              | <u>1,488</u>                  | <u>22,605</u>         | (29%)  |
|                    | 69,759                     | 15,008                        | 75,767*               | (100%) |

English Language Book Sales

|                    | \$000<br><u>Own Titles</u> | \$000<br><u>Agency Titles</u> | \$000<br><u>Total</u> |        |
|--------------------|----------------------------|-------------------------------|-----------------------|--------|
| By Eng. Lang. Pub. | 269,024                    | 163,626                       | 432,650               | (99%)  |
| By Fr. Lang. Pub.  | <u>1,601</u>               | <u>930</u>                    | <u>2,531</u>          | (1%)   |
|                    | 270,625                    | 164,556                       | 435,181               | (100%) |

NOTE:

\*Tables exclusive of sales of own and agency titles in languages other than English or French.

Source: STC 1980 "A" survey of Publishers





TABLE 7  
 REPORTED NET SALES BY COUNTRY OF CONTROLLING  
 INTEREST AND COMMERCIAL CATEGORY  
 ENGLISH LANGUAGE MARKET, 1980  
 \$000

| English Market           | Country of Controlling Interest |         |        |         |
|--------------------------|---------------------------------|---------|--------|---------|
|                          | Canada                          | U.S.    | Other  | Total   |
| <u>Textbooks</u>         |                                 |         |        |         |
| ELHI                     | 25,186                          | 51,030  | 2,439  | 78,655  |
| Post Secondary           | 8,377                           | 29,833  | 4,884  | 43,094  |
| Teachers' Aid Manuals    | 185                             | 194     | -      | 379     |
| Text Sub-total           | 33,748                          | 81,057  | 7,323  | 122,128 |
| Tradebooks               | 160,535                         | 54,480  | 15,342 | 230,357 |
| Professional & Technical | 14,290                          | 3,071   | 18,433 | 35,794  |
| Scholarly                | 1,320                           | 684     | -      | 2,004   |
| Gen. Reference           | 3,666                           | 46,522  | 379    | 50,567  |
| Unspecified              | 11,045                          | 3,493   | 0      | 14,538  |
| TOTAL                    | 224,604                         | 189,307 | 41,477 | 455,388 |
|                          |                                 |         |        | (27%)   |
|                          |                                 |         |        | (50%)   |
|                          |                                 |         |        | (8%)    |
|                          |                                 |         |        | (-1%)   |
|                          |                                 |         |        | (11%)   |
|                          |                                 |         |        | (3%)    |

Exclusive of Other-Language Canadian-Controlled Publishers



TABLE 8

REPORTED NET DOMESTIC SALES BY CUSTOMER CATEGORY,  
ENGLISH LANGUAGE PUBLISHERS, 1980

English Language Publishers

| <u>Customer Category</u>       | <u>Sales</u>   |           |
|--------------------------------|----------------|-----------|
|                                | (\$000's)      |           |
| Excl. Agents                   | 2,191          | (.0%) *   |
| Mass Paperback Wholesalers     | 14,630         | (4.1%)    |
| Other Wholesalers              | 12,050         | (3.4%)    |
| Book Clubs                     | 6,059          | (1.7%)    |
| Accredited Bookstores (Quebec) | 7,838          | (2.2%) *  |
| Campus Bookstores              | 18,819         | (5.3%)    |
| Other Retail Stores            | 51,513         | (14.6%)   |
| Mail Order Houses              | 1,544          | (.0%)     |
| Gov't. & Spec. Libraries       | 9,374          | (2.6%) *  |
| Public Libraries               | 12,648         | (3.5%)    |
| CDA Council                    | 100            | (.0%)     |
| ELHI                           | 79,040         | (22.4%) * |
| Post Secondary                 | 31,416         | (8.9%)    |
| Direct to General Public       | 77,929         | (22.1%)   |
| Other Sales                    | 11,965         | ( 3.4%)   |
| Unspecified                    | <u>15,235*</u> | (4.3%)    |
| TOTAL                          | <u>352,351</u> |           |

\*does not include sales to "unspecified" customer by  
Canadian controlled, "other" language publications

Source: 1980 STC "A" Survey



TABLE 9

REPORTED NET SALES BY COUNTRY OF CONTROLLING INTEREST  
AND COMMERCIAL CATEGORY, 1980  
(\$000's)

French Language Market

| <u>Commercial Category</u>         | <u>Country of Controlling Interest</u> |                | <u>Total</u> |       |
|------------------------------------|--|----------------|--------------|-------|
|                                    | <u>Canada</u>                          | <u>Foreign</u> |              |       |
| Textbooks                          |  |                |              |       |
| ELHI                               | 9,873                                  | 4,472          | 14,345       |       |
| Post Secondary                     | 4,283                                  | 1,623          | 5,906        |       |
| Teachers' Aid Manuals              | 390                                    | 128            | 518          |       |
| Subtotal Textbooks                 | 14,546                                 | 6,223          | 20,769       | (37%) |
| Tradebooks                         | 18,011                                 | 3,104          | 21,115       | (38%) |
| Professional & Technical           | 7,170                                  | 31             | 7,201        | (13%) |
| Scholarly and<br>General Reference |  |                |              |       |
| Unspecified                        | 6,916                                  | 0              | 6,916        | (12%) |
| Total                              | 46,643                                 | 9,358          | 56,001       |       |

Source: STC 1980 Survey A.



TABLE 10  
 REPORTED NET DOMESTIC SALES BY CUSTOMER CATEGORY,  
 FRENCH LANGUAGE PUBLISHERS, 1980

French Language Publishers

| <u>Customer Category</u>       | <u>Sales</u>  |         |
|--------------------------------|---------------|---------|
|                                | (\$000's)     |         |
| Excl. Agents                   | 6,698         | (12%)   |
| Mass Paperback Wholesalers     | 585           | (1.1%)  |
| Other Wholesalers              | 4,024         | (7.3%)  |
| Book Clubs                     | 0             |         |
| Accredited Bookstores (Quebec) | 9,476         | (17.2%) |
| Campus Bookstores              | 5,637         | (10.2%) |
| Other Retail Stores            | 2,839         | (5.2%)  |
| Mail Order Houses              | 35            | (0.0%)  |
| Gov't. & Spec. Libraries       | 86            | (0.0%)  |
| Public Libraries               | 75            | (0.0%)  |
| CDA Council                    | 600           | (1.1%)  |
| ELHI                           | 2,804         | (5.1%)  |
| Post Secondary                 | 234           | (.0%)   |
| Direct to General Public       | 1,026         | (1.8%)  |
| Other Sales                    | 386           |         |
| Unspecified                    | <u>20,462</u> | (37.2%) |
| TOTAL                          | <u>54,967</u> |         |

Source: 1980 STC "A" survey of publishers.





TABLE 11

**TOTAL NET DOMESTIC SALES BY COUNTRY OF CONTROLLING INTEREST  
& CUSTOMER CATEGORY FOR ENGLISH LANGUAGE PUBLISHERS**

| Customer Category           | Country of Controlling Interest |         |        |         |
|-----------------------------|---------------------------------|---------|--------|---------|
|                             | (\$'000's)                      |         |        |         |
|                             | Canada                          | U.S.    | Other  | Total   |
| Excl. Agents                | 1,131                           | 958     | 102    | 2,191   |
| Mass Paperback Whlslrs      | 13,799                          | 348     | 483    | 14,630  |
| Other Wholesalers           | 4,537                           | 6,340   | 1,173  | 12,050  |
| Book Clubs                  | 629                             | 5,430   | 0      | 6,059   |
| Accredited Bookstores(Que.) | 4,181                           | 3,507   | 150    | 7,838   |
| Campus Bookstores           | 4,911                           | 12,808  | 1,100  | 18,819  |
| Other Retail Stores         | 33,479                          | 11,850  | 6,184  | 51,513  |
| Mail Order Houses           | 1,169                           | 375     | 0      | 1,544   |
| Govt & Spec. Libraries      | 1,039                           | 1,589   | 6,746  | 9,378   |
| Public Libraries            | 9,943                           | 2,142   | 563    | 12,648  |
| CDA Council                 | 100                             | 0       | 0      | 100     |
| ELHI                        | 25,647                          | 51,283  | 2,110  | 79,040  |
| Post Secondary              | 4,478                           | 23,640  | 3,298  | 31,416  |
| Direct to Gen. Public       | 7,111                           | 67,971  | 2,847  | 77,929  |
| Other Sales                 | 5,430                           | 155     | 6,380  | 11,965* |
| Unspecified                 | 8,279                           | 0       | 6,938  | 15,235  |
| Total                       | *125,881                        | 188,396 | 38,074 | 352,351 |

\*These do not include sales of a Canadian-controlled firm publishing in another language.

Source: 1980 STC book publishing "A" survey of publishers, language of the publishers.



TABLE 12

NET DOMESTIC SALES BY COUNTRY OF CONTROLLING INTEREST  
AND CUSTOMER CATEGORY, FRENCH LANGUAGE MARKET, 1980

| <u>Commercial Category</u>  | <u>Country of Controlling Interest</u> |                |               |
|-----------------------------|--|----------------|---------------|
|                             | <u>Canada</u>                          | <u>Foreign</u> | <u>Total</u>  |
| Excl. Agents                | 6,698                                  | 0              | 6,698         |
| Mass Paperback Whlsrls      | 585                                    | 0              | 585           |
| Other Wholesalers           | 2,791                                  | 1,233          | 4,024         |
| Book Clubs                  | 0                                      | 0              | 0             |
| Accredited Bookstores(Que.) | 8,069                                  | 1,407          | 9,476         |
| Campus Bookstores           | 5,167                                  | 470            | 5,637         |
| Other Retail Stores         | 989                                    | 1,850          | 2,839         |
| Mail Order Houses           | 35                                     | 0              | 35            |
| Govt & Spec. Libraries      | 77                                     | 9              | 86            |
| Public Libraries            | 75                                     | 0              | 75            |
| CDA Council                 | 600                                    | 0              | 600           |
| ELHI                        | 2,376                                  | 428            | 2,804         |
| Post Secondary              | 228                                    | 6              | 234           |
| Direct to Gen. Public       | 1,005                                  | 21             | 1,026         |
| Other Sales                 | 386                                    | 0              | 386           |
| Unspecified                 | <u>16,676</u>                          | <u>3,786</u>   | <u>20,462</u> |
| Total                       | 45,757                                 | 9,210          | 54,967        |

Source: 1980 STC "A" survey of Publishers, language of the publisher.



**NUMBER AND DOMESTIC SALES OF NEW TITLES AND REPRINTS BY CONTROL,  
AUTHORSHIP AND SIZE, 1980**

**English Language Publishers  
Canadian Controlled**

| Net Sales of Company<br>(in 1980 \$) | Canadian Authored |            |          |       | Foreign Authored |            |          |       |
|--------------------------------------|-------------------|------------|----------|-------|------------------|------------|----------|-------|
|                                      | New Titles        |            | Reprints |       | New Titles       |            | Reprints |       |
|                                      | Number            | Sales      | Number   | Sales | Number           | Sales      | Number   | Sales |
| 0 - 99,999                           | 175               | 41%        | 56       | 0     | 9                | 10,799     | -        | -     |
| 100,000 - 499,999                    | 248               | 2,433,807  | 50       | 0     | 47               | 76,374     | -        | -     |
| 500,000 - 999,999                    | 79                | 1,076,169  | 20       | 0     | 9                | 52,347     | 2        | 0     |
| 1m - 4.9m                            | 308               | 7,689,905  | 89       | 0     | 29               | 181,906    | 12       | 0     |
| 5m - 9.9m                            | 45                | 1,281,300  | 51       | 0     | 284              | 5,329,260  | 3        | 0     |
| 10m - 24.9m                          | 144               | 1,236,068  | 83       | 0     | 37               | 369,984    | 15       | 0     |
| 25m+                                 | 33                | 7,412,600  | -        | -     | 386              | 7,385,100  | -        | -     |
| Total                                | 1,032             | 21,503,140 | 349      | 0     | 801              | 13,405,770 | 32       | 0     |

\*Exclusive of 279 new titles and 322 reprints for which authorship is unanswered at a total value of \$3,120,046

**Foreign Controlled**

|                   | Canadian Authored |           |          |       | Foreign Authored |           |          |       |
|-------------------|-------------------|-----------|----------|-------|------------------|-----------|----------|-------|
|                   | New Titles        |           | Reprints |       | New Titles       |           | Reprints |       |
|                   | Number            | Sales     | Number   | Sales | Number           | Sales     | Number   | Sales |
| 0 - 99,999        | -                 | -         | -        | -     | -                | -         | -        | -     |
| 100,000 - 499,999 | 20                | 96,512    | 15       | 0-    | -                | -         | -        | -     |
| 500,000 - 999,999 | 150               | 2,495,030 | 44       | 0     | 5                | 44,358    | 10       | 0     |
| 1m - 4.9m         | 152               | 2,159,462 | 75       | 0     | 236              | 2,988,207 | 43       | 0     |
| 5m - 9.9m         | 223               | 5,584,496 | 233      | 0     | 15               | 403,184   | 26       | 0     |
| 10m - 24.9m       | 17                | 8,481,741 | 11       | 0     | 9                | 5,011,528 | 4        | 0     |
| 25m+              | -                 | -         | -        | -     | -                | -         | -        | -     |
| Total             | 562               | 1,881,724 | 378      | 0     | 265              | 8,447,277 | 83       | 0     |
| GRAND TOTAL       | 1,594             |           | 727      |       | 1,066            |           | 115      |       |

\*Exclusive of 4 new titles and 155 reprints for which authorship is unanswered at a total value of \$16,034



# NUMBER AND DOMESTIC SALES OF NEW TITLES AND REPRINTS BY CONTROL, AUTHORSHIP AND SIZE, 1980

## French Language Publishers

### Canadian Controlled

Net Sales of Company  
(in 1980 \$)

0 - 99,999  
100,000 - 499,999  
500,000 - 999,999  
1m - 2.9m  
3m +  
Total

| Canadian Authored |           |          | Foreign Authored |         |          |
|-------------------|-----------|----------|------------------|---------|----------|
| New Titles        |           | Reprints | New Titles       |         | Reprints |
| Number            | Sales     | Number   | Number           | Sales   | Number   |
| 24                | 100,076   | -        | 1                | 1,800   | -        |
| 246               | 1,321,424 | 78       | 35               | 180,878 | 4        |
| 161               | 2,727,488 | 70       | 14               | 441,286 | 5        |
| 245               | 3,353,401 | 201      | 45               | 285,157 | 11       |
| 169               | 1,415,035 | 93       | 5                | 23,334  | 14       |
| 845               | 8,917,424 | 442      | 100              | 932,455 | 34       |
|                   |           |          |                  |         | 0        |
|                   |           |          |                  |         | 0        |
|                   |           |          |                  |         | 0        |
|                   |           |          |                  |         | 0        |
|                   |           |          |                  |         | 0        |
|                   |           |          |                  |         | 0        |

\*exclusive of 249 reprints for which authorship is unanswered at a value of \$0

### Foreign Controlled

0 - 99,999  
100,000 - 499,999  
500,000 - 999,999  
1m - 2.9m  
3m +  
Total

| Canadian Authored |         |          | Foreign Authored |        |          |
|-------------------|---------|----------|------------------|--------|----------|
| New Titles        |         | Reprints | New Titles       |        | Reprints |
| Number            | Sales   | Number   | Number           | Sales  | Number   |
| -                 | -       | -        | -                | -      | -        |
| -                 | -       | -        | -                | -      | -        |
| -                 | -       | -        | -                | -      | -        |
| 20                | 285,669 | 12       | 2                | 68,634 | 6        |
| 29                | 107,878 | 8        | 1                | 2,933  | -        |
| 49                | 393,547 | 20       | 3                | 71,567 | 6        |
|                   |         |          |                  |        | 0        |
|                   |         |          |                  |        | 0        |
|                   |         |          |                  |        | 0        |
|                   |         |          |                  |        | 0        |
|                   |         |          |                  |        | 0        |
|                   |         |          |                  |        | 0        |

\* exclusive of 1 new title and 26 reprints for which authorship is unanswered at a total value of \$13,492





TABLE 15

NUMBER AND NET TOTAL SALES OF OWN TITLES AND AGENCY TITLES IN PRINT  
BY SIZE AND CONTROL, 1980

English Language Publishers

|         |           | Canadian Controlled |                    |               | Foreign Controlled |              |                   |
|---------|-----------|---------------------|--------------------|---------------|--------------------|--------------|-------------------|
|         |           | Own Titles          |                    |               | Agency Titles      |              |                   |
|         |           | Number              | Sales              | Number        | Sales              | Number       | Sales             |
| 0       | - 99,999  | 1,847               | 1,763,776          | 408           | 162,914            | -            | -                 |
| 100,000 | - 499,999 | 2,148               | 8,708,613          | 52            | 291,990            | -            | -                 |
| 500,000 | - 999,999 | 626                 | 3,425,793          | 5,700         | 441,613            | 36           | 605,507           |
| 1m      | 4.9m      | 5,536               | 24,747,948         | 22,675        | 5,253,044          | 784          | 8,753,995         |
| 5m      | - 9.9m    | 4,084               | 19,990,938         | 7,592         | 7,756,138          | 1,923        | 16,888,113        |
| 10m+    |           | <u>3,300</u>        | <u>130,353,430</u> | <u>34,842</u> | <u>21,708,369</u>  | <u>2,692</u> | <u>75,032,931</u> |
|         | Total     | 17,541              | 188,990,498        | 71,269        | 35,614,068         | 5,435        | 101,280,546       |
|         |           | (20%)               |                    | (80%)         |                    | (8%)         |                   |
|         |           |                     |                    |               |                    | (92%)        |                   |
|         |           |                     |                    |               |                    |              | 17,195,096        |
|         |           |                     |                    |               |                    |              | 40,353,138        |
|         |           |                     |                    |               |                    |              | <u>71,955,397</u> |
|         |           |                     |                    |               |                    |              | 129,503,621       |

Figures for financial year of 1980 survey



TABLE 16

**NUMBER AND NET TOTAL SALES OF OWN TITLES AND AGENCY TITLES IN PRINT  
BY SIZE AND CONTROL, 1980**

**French Language Publishers**

|         |           | Canadian Controlled |                   |               |                   | Foreign Controlled |                  |               |                |
|---------|-----------|---------------------|-------------------|---------------|-------------------|--------------------|------------------|---------------|----------------|
|         |           | Own Titles          |                   | Agency Titles |                   | Own Titles         |                  | Agency Titles |                |
|         |           | Number              | Sales             | Number        | Sales             | Number             | Sales            | Number        | Sales          |
| 0       | - 99,999  | 158                 | 276,090           | 0             | 0                 | -                  | -                | -             | -              |
| 100,000 | - 499,999 | 3,178               | 4,330,448         | 1,590         | 605,726           | -                  | -                | -             | -              |
| 500,000 | - 999,999 | 860                 | 6,411,885         | 0             | 27,285            | -                  | -                | -             | -              |
| 1m+     |           | <u>5,452</u>        | <u>21,845,362</u> | <u>1,504</u>  | <u>13,146,715</u> | <u>643</u>         | <u>8,597,675</u> | <u>0</u>      | <u>760,628</u> |
|         | Totals    | 9,648               | 32,863,785        | 3,094         | 13,779,726        | 643                | 8,597,675        | 0             | 760,628        |

Figures for financial years of 1980 survey.



## ANNEX D: LIST OF INTERVIEWEES

### PUBLISHERS

1. Breakwater Books Ltd., Mr. C. Rose
2. Clarke, Irwin and Co., Mr. W. Clarke, Ms. A. Ford
3. Deneau Publishers and Co. Ltd., Mr. D. Deneau
4. Diffulivre, M.G. Laberge
5. Douglas and McIntyre Ltd., Mr. McIntyre
6. Éditions Du Renouveau Pédagogique Inc., M.A. Dussault, M.F. Tisseyre
7. Fitzhenry and Whiteside Ltd., Mr. R. Fitzhenry
8. Gage Educational Publishing, Mr. R. Besse
9. Gaetan Morin et Associés, M.G. Morin
10. General Publishing, Mr. J. Stoddart
11. Hurtubise HMH, M.H. Foulon
12. Éditions de L'Hexagone, M.G. Miron, M.A. Horic, M.J. Côté, M.G. Dostie
13. House of Anansi Press Ltd., Ms. A. Wall
14. J.M. Le Bel Enterprises Ltd., Mr. J. LeBel
15. Lester and Orpen Dennys Ltd., Mr. M. Lester
16. Les Éditions Leméac, M.Y. Dubé
17. James Lorimer and co., Mr. J. Lorimer
18. MacMillan of Canada, Mr. R. Besse
19. McLelland and Stewart, Ms. L. McKnight
20. Nelson Canada, Mr. P. Hunt
21. Prentice-Hall Canada, Mr. R. Greenaway
22. Québec Amérique, M.J. Fortin
23. Sogides, M.P. L'Espérance



24. Talon Books Ltd., Mr. K. Siegler
25. University of Toronto Press, Mr. H. Bohne
26. V.L.B., M. Victor-Lévy Beaulieu
27. Western Producer Prairie Books, Mr. R. Sanders

#### PUBLISHERS ASSOCIATIONS

28. Association of Canadian Publishers, Ms. P. Yaffe
29. L'Association des Éditeurs Canadiens, R. Bonenfant, F. Déry
30. L'Association Québécoise des Presses Universitaires, Danielle Ros
31. Canadian Book Publishers' Council, Ms. J. Hushion

#### GOVERNMENT OFFICIALS

32. M.Y. Moisan, Industry, Trade and Commerce
33. Mr. S. Goban, Mr. G. Parent, Social Sciences and Humanities Research Council
34. Mr. R. Hodgson, Department of Communications
35. Ms. S. Katz, Department of Communications
36. Ms. C. Martin, Canada Council
37. Mr. Parsons, Ministry of Citizenship and Culture, Ontario
38. Mr. S. Stevanovitch, Ontario Arts Council

#### OTHERS

39. Mr. L. Applebaum, Federal Cultural Policy Review Committee
40. Mr. R. MacSkimming, Federal Cultural Policy Review Committee





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PROFILE OF THE BOOK PUBLISHING  
INDUSTRY IN CANADA

ANNEX E: Preliminary Results  
of Research Into The Financial Status of  
The Industry

CPER Managment Consulting Inc.

March, 1983

Ottawa, Canada



March 25, 1983

## ANNEX E

### Preliminary Results of Research Into The Financial Status of the Industry

We present here the preliminary results of the analysis of the financial health of the industry, based on the 1980 STC survey data.

It was pointed out in the main text of the report that the following data contain potentially serious inconsistencies which have not yet been accounted for.

The data are provided solely to serve as the basis for future research. They are not intended to be used for serious policy analysis.

#### 1.1 Background and Methodology

The tables used in this preliminary analysis were produced as part of a separate DOC-funded study by RES Policy Research Inc. of the financial data contained in both the STC survey data base and the DOC data base of company applications for funding under the DOC Book Publishing Development Program (BPDP). The RES Inc. final report of March 7, 1983 (Sections 3.0 and 7.0) should be consulted for details of the methodology used to screen the STC data and calculate the financial ratios contained in the following preliminary tables.

#### 2.1 Introduction to Financial Ratios

Financial analysts have developed a number of "structural ratios" that are used as indicators as to whether or not proportions within a company's balance sheet and income statement are reasonable. In this report, we examine four classes of ratios for the publishing industry:

- liquidity ratios, designed to provide an indication of the ability of a company to meet its short term obligations;



- leverage ratios, designed to provide indicators of the percentage of assets financed through borrowing as well as the ability of companies to service the interest charges on debts;
- activity ratios, designed to provide general indications of the company's management of its inventory in relation to sales and its general use of assets to generate sales; and,
- profitability ratios, providing indications of a firms' profitability measured from several different perspectives.

A total of ten financial ratios are provided for the publishing industry, as listed below. Detailed definitions and interpretative considerations for these ratios can be found in Section 3.4 (pgs 16-20) of the RES report mentioned above.

The ratios provided are as follows:

Liquidity Ratios

Working Capital ratio

Quick ratio

Leverage Ratio

Debt ratio

Interest coverage ratio

Activity Ratio

Inventory turnover

Total asset turnover

Profitability Ratios

Gross profit margin on book publishing

Gross profit margin on book publishing and sales of rights

Return on investment

Return on equity



## 2.2 Three Important Caveats

Three very important caveats must be kept in mind in examining these ratios, one caveat being rather general and dealing with the nature of all such ratios, the second being much more specific and based on the data base used to calculate the book publishing industry ratios and the third being the concern that these standard ratios do not present a true picture of this particular industry. Other useful comments and suggestions on the use of ratios are contained in Section 3 of the RES Inc. report.

- (i) The general caveat that must be considered is that ratios do not give conclusive information. If a particular ratio is unusual, this does not necessarily indicate that the relationship it measures is unsatisfactory; it merely calls attention to the fact that the relationship requires investigation, usually necessitating obtaining more information about the company or groups of companies in question. As well, the absence of absolute standards for these ratios necessitates careful interpretation.
- (ii) The more important caveat deals with the specific data base used to generate these ratios, i.e., the Statistics Canada survey of publishers. The survey was not designed to enable analysts to segregate out the strictly publishing operations from other operations of companies that are integrated either vertically or horizontally. Preliminary research indicates that 29% of the companies responding to Statistics Canada, receive a significant portion of their revenue from activities other than publishing. Thus, the financial ratios encompass a variety of activities. Only one ratio, gross margin on book publishing, provides information specific to the publishing operations of the responding firms.





A further problem is that the data used for this analysis are not derived from a common file of companies. Given the small number of companies in some sub-sectors of the industry, the lack of a common file could introduce serious distortions as the population of companies could change over the years.

(iii) The final caveat is that the industry representatives have long argued that these standard ratios do not present a true picture of their particular industry, characterized as it is by:

- ease of entry;
- under-capitalization;
- highly cyclical sales;
- substantial pre-sale development costs, especially in the text market;
- highly individualized products. Each new product is risky and bankers often value inventories at next to nothing;
- returns policies that scare most other businessmen; and,
- despite these problems, a high record of survival.

A related point is that the following ratios examine the companies largely from the "creditor's" point of view while it is the "investor's" perspective that is of most interest to DOC policy issues.

The following financial ratios are provided to enable DOC management to obtain a very preliminary historical over-view of the industry. However, it is the judgement of the researchers that further detailed research into the financial situation of the industry is required before major policy decisions are considered.



### 2.3 Highlights of the Ratios

The DOC-BMC study based on financial ratios for 1976 and 1977 reached some tentative conclusions on the strength of the Canadian sector during that period:

- Canadian firms experienced more serious liquidity problems than did foreign-owned firms;
- Canadian firms showed a deteriorating position in their inventory turnover ratios. It was suggested that Canadian firms utilized a disproportionately high percentage of their total assets in generating sales; and,
- large-sized firms fared the best.

It could be very misleading to compare these results for the 1976-77 period with the following results for the 1978-1980 period because of the lack of a common file and questions about compatibility of definitions. As well, the BMC study lumped the two language markets and the text and trade markets all together. However, it will be seen below that the liquidity and leverage ratios for the Canadian-controlled sector continued to be significantly worse than those of their U.S.-controlled counterparts. On the other hand, medium and large-sized Canadian-controlled firms exhibited inventory turn-over ratios superior to their U.S. competitors.

We present below the main results of the ratio analysis, based on Tables 17-20 of this Annex. The English-language Canadian-controlled sectors are compared with their U.S.-controlled counterparts, rather than all foreign-controlled companies in an effort to standardize the comparison. There were not enough foreign-controlled French-language publishers to enable comparative statistics to be produced. Table 21 contains the cell counts for the columns of Tables 17-20. The methodology



used to prepare these tables is described in Sections 3.0 and 7.0 of the RES report.

We caution again that these data contain potentially serious inconsistencies that have not yet been accounted for. The data should not be used as the basis for policy decisions. Further research and screening of the data are required.

#### 1.3.1 Tradebook Publishing

##### English Language Trade Book Publishing

- . The large difference between the working capital ratio values and the quick ratio values could be due to high inventories or not evaluating inventory at the lower of market value and cost.
- . The preliminary figures point to a rather interesting feature for 1979 and 1980: the ROI and ROE ratios for the large Canadian-controlled sector were over twice the ratios for the foreign-controlled sector. The Canadian sector showed ROE's of 41% and 38% for 1979 and 1980.
- . This performance would seem to have been achieved in the face of the following odds:
  - significantly worse liquidity and leverage ratios; and,
  - slightly lower gross margin ratios.
- . If the data are correct, the better performance of the large Canadian firms could be accounted for by their better performance on turn-over ratios. As well, this result could be caused by the performance of Harlequin.



- . The profitability ratios for the small and medium-sized Canadian sector showed variations in performance over the three year period.
- . The small Canadian sector was particularly troubled, showing activity ratios below those for the large firms and medium-sized firms. Utilization of assets, and perhaps inventory control, could be a serious problem confronting this sector of the industry.
- . Note that ROI should always be less than ROE. The reverse occurs in some of the tables. This may be due to the lack of a common file of companies for this analysis or it may reflect a serious inconsistency in the STC data.
- . There is very little difference between the gross margins on book publishing and on book publishing and agency activities. This should be examined in light of the statement made by some publishing companies that agency activities subsidize the publishing activities.

#### **French Language Trade Book Publishers**

We compare the Canadian French language trade book publisher to their English language counterparts.

- . The small Canadian French language publishers showed consistent positive and high ROE's over the three year period, significantly higher than their English language counterparts. This was achieved despite:
  - weaker liquidity and leverage ratios; and,
  - similar gross margin ratios.





- . The medium sized French language publisher also showed consistent strength in their ROT's and ROE's, in distinction to their English language counterparts.
- . The medium-sized Canadian French language trade book publishers had liquidity ratios similar to their Canadian English language counterparts, but had better debt ratios.
- . Gross margin ratios of the medium sized French tradebook publishers would seem to have declined dramatically over the three year period, while their English language counterparts showed improvement.
- . The large French language tradebook publishers exhibited liquidity, leverage and profitability ratios very similar to their English language counterparts. The only difference between the two was in the total asset turnover ratio, with the large English language tradebook publisher apparently achieving approximately 50-60% higher net book sales per dollar of assets.

### 2.3.2 Textbook Publishing

#### English Language Textbook Publishers

- . The large Canadian-controlled firms show debt and liquidity ratios which are consistently worse than those of the large U.S.-controlled firms.
- . However, the gross margin ratios for both book publishing and all activities were similar for the Canadian and U.S. sectors. Thus, both sectors would seem to have incurred the same percentage of direct costs in publishing textbooks.



- . The U.S.-controlled sector outperformed the Canadian sector on inventory turn-over ratios and profitability ratios during the years 1979 and 1980. It would be interesting to explore the reasons for this difference, given the similar gross margin ratios for the two sectors.

#### French Language Textbook Publishers

We compare the large French language textbooks publishers with their English language counterparts.

- . The liquidity ratios of the French language publishers were better than for the English language publishers. As well, the French publishers showed slightly better leverage ratios. It would seem that the French language publishers were carrying less debt.
- . The gross margin ratios for the large French language publishers were only 2/3 the value of the ratios for their comparable English language counterparts. However, the French publishers translated their sales into higher returns on both equity and investment, perhaps due in part to their better performance on the inventory turn-over ratios.



Table 18

03/83

## FINANCIAL RATIOS FOR ENGLISH-LANGUAGE TEXTBOOK PUBLISHERS

|  |      | Canadian Controlled |             |           | U.S. Controlled |           |           |
|--|------|---------------------|-------------|-----------|-----------------|-----------|-----------|
|  |      | ( \$200K)           | (\$200K-1m) | ( 1m)     |                 |           |           |
|  |      | 7                   | 8           | 9         | 10              | 11        | 12        |
|  |      | Small               | Medium      | Large     | Small           | Medium    | Large     |
| <u>LIQUIDITY</u>                                 |      |                     |             |           |                 |           |           |
| Working Capital Ratio                            | 1978 | -                   | -           | 2.0       | -               | 4.16      | 2.50      |
|  | 1979 | -                   | -           | -         | -               | -         | 2.87      |
|  | 1980 | -                   | -           | 1.9       | -               | -         | 2.87      |
| Quick Ratio                                      | 1978 | -                   | -           | .48       | -               | 1.66      | 1.28      |
|  | 1979 | -                   | -           | .71       | -               | -         | 1.16      |
|  | 1980 | -                   | -           | .71       | -               | -         | 1.71      |
| <u>LEVERAGE</u>                                  |      |                     |             |           |                 |           |           |
| Debt Ratio                                       | 1978 | -                   | -           | .76       | -               | .95       | .50       |
|  | 1979 | -                   | -           | -         | -               | -         | .43       |
|  | 1980 | -                   | -           | .9        | -               | -         | .49       |
| Interest Coverage Ratio                          | 1978 | -                   | -           | -         | -               | -         | -         |
|  | 1979 | -                   | -           | -         | -               | -         | -         |
|  | 1980 | -                   | -           | -         | -               | -         | -         |
| <u>PROFITABILITY</u>                             |      |                     |             |           |                 |           |           |
| Gross Margin Ratio on BP (and Agency Activities) | 1978 | -                   | -           | .46 (.46) | -               | .23 (.23) | .46 (.45) |
|  | 1979 | -                   | -           | -         | -               | -         | .46 (.45) |
|  | 1980 | -                   | -           | .43 (.45) | -               | -         | .46 (.45) |
| ROI  | 1978 | -                   | -           | .06       | -               | .02       | .17       |
|  | 1979 | -                   | -           | -         | -               | -         | .23       |
|  | 1980 | -                   | -           | .04       | -               | -         | .24       |
| ROE  | 1978 | -                   | -           | .28       | -               | .61       | (-1.16)   |
|  | 1979 | -                   | -           | -         | -               | -         | .46       |
|  | 1980 | -                   | -           | .21       | -               | -         | .49       |
| <u>ACTIVITY</u>                                  |      |                     |             |           |                 |           |           |
| Inventory Turn-Over                              | 1978 | -                   | -           | 1.12      | -               | 1.64      | 1.79      |
|  | 1979 | -                   | -           | -         | -               | -         | 1.86      |
|  | 1980 | -                   | -           | 1.45      | -               | -         | 1.95      |
| Total Asset Turn Over                            | 1978 | -                   | -           | 1.0       | -               | 1.81      | 1.70      |
|  | 1979 | -                   | -           | -         | -               | -         | 1.52      |
|  | 1980 | -                   | -           | 1.21      | -               | -         | 1.67      |

Note: "-" data either not available, suppressed for confidentiality reasons, or requires further analysis

Caution: Data are preliminary only and may contain inconsistencies. To be used only as basis for directing further research.



## FINANCIAL RATIOS FOR FRENCH-LANGUAGE TEXTBOOK PUBLISHERS

|  |      | Canadian Controlled |             |           | Foreign Controlled |        |       |
|--|------|---------------------|-------------|-----------|--------------------|--------|-------|
|  |      | (\$200K)            | (\$200K-1m) | (1m)      |                    |        |       |
|  |      | 19                  | 20          | 21        | 22                 | 23     | 24    |
|  |      | Small               | Medium      | Large     | Small              | Medium | Large |
| <u>LIQUIDITY</u>                                 |      |                     |             |           |                    |        |       |
| Working Capital Ratio                            | 1978 | -                   | 2.81        | 1.55      | -                  | -      | -     |
|  | 1979 | -                   | 3.23        | 1.60      | -                  | -      | -     |
|  | 1980 | -                   | 5.37        | 2.91      | -                  | -      | -     |
| Quick Ratio                                      | 1978 | 1.42                | 1.05        | .81       | -                  | -      | -     |
|  | 1979 | -                   | 1.40        | .69       | -                  | -      | -     |
|  | 1980 | -                   | 1.80        | .99       | -                  | -      | -     |
| <u>LEVERAGE</u>                                  |      |                     |             |           |                    |        |       |
| Debt Ratio                                       | 1978 | .92                 | .51         | .67       | -                  | -      | -     |
|  | 1979 | -                   | .50         | .73       | -                  | -      | -     |
|  | 1980 | -                   | .43         | .71       | -                  | -      | -     |
| Interest Coverage Ratio                          | 1978 | -                   | 7.76        | -         | -                  | -      | -     |
|  | 1979 | -                   | -           | -         | -                  | -      | -     |
|  | 1980 | -                   | -           | -         | -                  | -      | -     |
| <u>PROFITABILITY</u>                             |      |                     |             |           |                    |        |       |
| Gross Margin Ratio on BP (and Agency Activities) | 1978 | .36 (.36)           | .35 (.32)   | .29 (.29) | -                  | -      | -     |
|  | 1979 | -                   | .38 (.36)   | .30 (.30) | -                  | -      | -     |
|  | 1980 | -                   | .45 (.45)   | .27 (.27) | -                  | -      | -     |
| ROI  | 1978 | 0                   | .02         | .09       | -                  | -      | -     |
|  | 1979 | -                   | .06         | .02       | -                  | -      | -     |
|  | 1980 | -                   | .14         | .06       | -                  | -      | -     |
| ROE  | 1978 | (-.31)              | .28         | .35       | -                  | -      | -     |
|  | 1979 | -                   | (-.07)      | .51       | -                  | -      | -     |
|  | 1980 | -                   | 1.32        | .34       | -                  | -      | -     |
| <u>ACTIVITY</u>                                  |      |                     |             |           |                    |        |       |
| Inventory Turn-Over                              | 1978 | (.31)               | .96         | 2.71      | -                  | -      | -     |
|  | 1979 | -                   | .92         | 2.1       | -                  | -      | -     |
|  | 1980 | -                   | 1.66        | 1.95      | -                  | -      | -     |
| Total Asset Turn Over                            | 1978 | 1.62                | .66         | 1.43      | -                  | -      | -     |
|  | 1979 | -                   | .68         | 1.16      | -                  | -      | -     |
|  | 1980 | -                   | .77         | 1.18      | -                  | -      | -     |

Note: "-" data either not available, suppressed for confidentiality reasons, or requires further analysis

Caution: Data are preliminary only and may contain inconsistencies. To be used only as basis for directing further research.





TABLE 21  
CELL COUNTS FOR TABLES 17-20

|   |               | Column No. |    |    |   |    |    |    |    |    |    |    |    |    |
|---|---------------|------------|----|----|---|----|----|----|----|----|----|----|----|----|
|   |               | 1          | 2  | 3  | 6 | 9  | 11 | 12 | 13 | 14 | 15 | 19 | 20 | 21 |
| C | <u>W.C.</u>   | 34         | 9  | 12 | 7 | 3  | 3  | 10 | 5  | 8  | 7  | -  | 5  | 4  |
|   |               | 36         | 17 | 13 | 7 | -  | -  | 11 | 4  | 9  | 6  | -  | 5  | 6  |
|   |               | 28         | 16 | 16 | 8 | 3  | -  | 11 | 6  | 7  | 8  | -  | 4  | 5  |
| E | <u>Q.R.</u>   | 34         | 9  | 12 | 7 | 3  | 3  | 10 | 5  | 8  | 7  | 3  | 5  | 4  |
|   |               | 36         | 17 | 13 | 7 | -  | -  | 11 | 4  | 9  | 6  | -  | 5  | 6  |
|   |               | 28         | 16 | 16 | 8 | 3  | -  | 11 | 6  | 7  | 8  | -  | 4  | 5  |
| L | <u>D.R.</u>   | 34         | 9  | 12 | 7 | 3  | 3  | 10 | 5  | 8  | 7  | 3  | 5  | 4  |
|   |               | 36         | 17 | 13 | 7 | -  | -  | 11 | 4  | 9  | 6  | -  | 5  | 6  |
|   |               | 29         | 16 | 16 | 8 | 3  | -  | 11 | 6  | 8  | 8  | -  | 4  | 5  |
| C | <u>I.C.R.</u> | -          | -  | -  | - | -  | -  | -  | -  | -  | -  | -  | -  | -  |
|   |               | -          | -  | -  | - | -  | -  | -  | -  | -  | -  | -  | -  | -  |
|   |               | -          | -  | -  | - | -  | -  | -  | -  | -  | -  | -  | -  | -  |
| O | G.M.          | 36         | 10 | 12 | 7 | 3  | 3  | 10 | 6  | 8  | 7  | 3  | 5  | 4  |
|   |               | 35         | 17 | 13 | 7 | -  | -  | 11 | 5  | 10 | 6  | -  | 5  | 6  |
|   |               | 29         | 16 | 16 | 8 | 11 | -  | 11 | 7  | 8  | 8  | -  | 4  | 5  |
| U | ROI           | 34         | 9  | 12 | 7 | 3  | 3  | 10 | 5  | 8  | 7  | 3  | 5  | 4  |
|   |               | 35         | 17 | 13 | 7 | -  | -  | 11 | 4  | 9  | 6  | -  | 5  | 6  |
|   |               | 16         | 16 | 8  | - | 11 | -  | 6  | 8  | 8  | 4  | -  | 5  |    |
| T | ROE           | 34         | 10 | 11 | 7 | 3  | 3  | 10 | 5  | 7  | 7  | 3  | 5  | 4  |
|   |               | 35         | 17 | 12 | 7 | -  | -  | 11 | 4  | 9  | 6  | -  | 5  | 6  |
|   |               | 29         | 15 | 15 | 6 | -  | -  | 11 | 6  | 8  | 8  | -  | 4  | 5  |
| S | I.T.O.        | 35         | 9  | 11 | 6 | 3  | 3  | 10 | 6  | 8  | 6  | -  | 5  | 4  |
|   |               | 33         | 13 | 13 | 5 | -  | -  | 11 | 5  | 10 | 5  | -  | 5  | 6  |
|   |               | 24         | 13 | 16 | 6 | 3  | -  | 11 | 5  | 8  | 6  | -  | 4  | 5  |
|   | T.A.T.O.      | 34         | 8  | 12 | 7 | 3  | 3  | 10 | 5  | 8  | 7  | 3  | 5  | 4  |
|   |               | 36         | 17 | 13 | 7 | -  | -  | 11 | 4  | 9  | 6  | -  | 5  | 6  |
|   |               | 29         | 16 | 16 | 8 | 3  | -  | 11 | -  | 8  | 8  | -  | 4  | 5  |













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